



West Lothian
Council

Audit Committee

West Lothian Civic Centre
Howden South Road
LIVINGSTON
EH54 6FF

20 September 2017

A meeting of the **Audit Committee** of West Lothian Council will be held within **Council Chambers, West Lothian Civic Centre** on **Monday 25 September 2017** at **2:00 p.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. Confirm Draft Minute of Meeting of the Audit Committee held on Friday 30 June 2017 (herewith).

Public Items for Information

5. Work of Internal and External Audit
 - (a) Report by Audit, Risk and Counter Fraud Manager (herewith)
 - (b) Presentation by Audit, Risk and Counter Fraud Manager (herewith)
6. Audit Scotland Self-Directed Support 2017 Progress Report - Report by Head of Social Policy (herewith)

DATA LABEL: Public

7. Internal Audit of Business Case Exemptions - Report by Audit, Risk and Counter Fraud Manager (herewith)
8. Internal Audit of The Objective Content Management System - Report by Audit, Risk and Counter Fraud Manager (herewith)
9. Internal Audit of The System of Internal Control - Report by Audit, Risk and Counter Fraud Manager (herewith)
10. Internal Audit of The Financial Strategy - Report by Audit, Risk and Counter Fraud Manager (herewith)
11. Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG) Annual Report - Report by Audit, Risk and Counter Fraud Manager (herewith)

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

MINUTE of MEETING of the AUDIT COMMITTEE of WEST LoTHIAN COUNCIL held within COUNCIL CHAMBERS, WEST LoTHIAN CIVIC CENTRE, on 30 JUNE 2017.

Present – Councillors Chris Horne (Chair), Bruce Fairbairn (substituting for Damian Timson) and Dom McGuire (substituting for John McGinty); Noel Lawlor, Lay Member.

Apologies – Councillors Lawrence Fitzpatrick, John McGinty and Damian Timson

In attendance

Donald Forrest (Head of Finance and Property Services), Julie Whitelaw (Head of Corporate Services), James Cameron (Head of Education, Learning, Policy and Resources), Alistair Shaw (Head of Housing, Construction and Building Services), Craig McCorrison (Head of Planning, Economic Development and Regeneration), Kenneth Ribbons (Audit, Risk and Counter Fraud Manager), James Millar (Governance Manager), Donna Adam (Strategic Resource Manager), Rachel MacKay (Contracts and Commissioning Manager), Alice Mitchell (Economic Development Manager), Nicola Gill (Public Transport Manager), Stuart Saunders (Senior Compliance Officer), Robert Evans (Stores Team Coordinator), Paul Stark (Active Schools Manager/West Lothian Leisure representative)

1. DECLARATIONS OF INTEREST

Agenda Item 10 – Internal Audit of Taxi and Private Hire Car Driver Licensing

Councillor Horne declared a non-financial interest due to him being a member of the Licensing Committee.

Agenda Item 13 – Internal Audit of Financial Monitoring & Reporting in relation to West Lothian Leisure

Councillor Horne declared a non-financial interest due to him being a member of West Lothian Leisure Board.

2. ORDER OF BUSINESS

At the suggestion of the Chair, the committee agreed that Agenda Item 6 (Audit Report and Presentation) be deferred to a future meeting of the committee in light of the number of committee members unable to be in attendance today.

3. MINUTES

The committee noted the minute of the former Audit and Governance Committee meeting held on 27 February 2017.

4. COMMITTEE REMIT AND ADMINISTRATIVE ARRANGEMENTS

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager providing details of the Audit Committee's remit, powers and proposed administrative arrangements.

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.

On 7 June 2017 council decided that the existing committee should be replaced by two new committees – Audit Committee and Governance and Risk Committee. The council approved a division of the remit of the former Audit and Governance Committee, to apply with immediate effect. Details of the remit and powers of the Audit Committee were attached at appendix 1 to the report. 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.

As this was a new committee no meeting dates had been arranged after the meeting on 30 June 2017. The approved remit provides for quarterly meetings, which required to be approved by Council Executive. The committee was subject to the normal procedural rules in Standing Orders for the Regulation of Meetings.

The regular work of the committee was prescribed by the annual cycle of internal audit, external audit, and counter fraud work. Appendix 2 to the report provided details of the items which were due to be submitted to the committee on a regular basis. These were all submitted annually with the exception of reporting in relation to the National Fraud Initiative (NFI) data matching exercise which was undertaken every two years.

Finally, it was noted that the report advised members of the committee's remit and provided an overview of its main business.

It was recommended that the Audit Committee:

1. Notes the committee's remit and powers in Appendix 1; and
2. Considers and notes the proposed meeting and other arrangements for the committee.

Decision

Approved the recommendations in the report.

5. RISK ACTIONS ARISING FROM AUDIT AND INSPECTION REPORTS

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager providing details of the progress in implementing agreed actions arising from audit and inspection reports.

The report recalled that 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 and the report set out the findings which were entered into Covalent as risk actions in accordance with the agreed protocol, which were due to be completed by 31 March 2017, and which were still outstanding. Fifteen outstanding risk actions were identified in the report, one of which related to Audit Scotland and fourteen related to internal audit.

In conclusion, the importance of risk actions being implemented timeously was highlighted as failure to do so could impact adversely on performance and/or compliance with council objectives. Oversight of outstanding risk actions by the Audit Committee would facilitate their completion.

The Chair then commented that he would expect to see the number of outstanding and long outstanding actions substantially reduced before the next update report.

It was recommended that the Audit Committee considers the report and the Outstanding Audit and Inspection Recommendations attached as an appendix to the report, and note that failure to timeously implement agreed actions could impact adversely on performance and/or achievement of council objectives.

In response to members' questions, officers provided further information in relation to bus shelter advertising (PTS13120); cemetery management rules (NLCS12122); ceasing use of the Sanserver (COR14001); an error in an annual compliance statement about information security breaches (COR16007); and school bank accounts (ED15015).

Decision

1. Approved the recommendation in the report; and
2. Noted the committee's concern that there were so many actions so far behind the agreed completion dates, and its view that improvements were required before the committee's next consideration.

6. INTERNAL AUDIT ANNUAL REPORT

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager providing details of the work undertaken by internal audit during 2016/17 to report on internal

audit's performance, and provided a conclusion by the Audit, Risk and Counter Fraud Manager on the council's framework of governance, risk management and control.

The report explained that the Local Authority Accounts (Scotland) Regulations 2014 requires 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) requires an annual report to be submitted by the Audit, Risk and Counter Fraud Manager 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.

Internal audit performance during 2016/17 was summarised in appendix A of the Internal Audit Annual Report 2016/17 attached as an appendix to the report. In particular, the committee was asked to 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.

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

It was recommended that the Audit Committee notes the Audit, Risk and Counter Fraud Manager's conclusion that the council's framework of governance, risk management and control was generally sound.

In response to members' questions, officers provided further information in relation to any common issues involved in the findings of "requires improvement", and more detail in connection with the two findings of "unsound". Officers also confirmed that consideration would be given to allocating more time in the Plan for IT-related risks and to involving the internal audit team from Falkirk Council to supplement council staff and resources. The committee was assured that although the internal audit service was delivered with a comparatively small number of staff and at a low cost, nevertheless it was considered to be adequately resourced for its work.

Decision

Noted the recommendation in the report.

7. FOLLOW UP AUDIT OF INFORMATION SECURITY/INFORMATION ASSET REGISTER

The committee considered a report (copies of which were circulated) by

the Audit, Risk and Counter Fraud Manager, providing details of the outcome of a follow up of a previous audit of information security and the information asset register.

The committee noted that the practice to follow up previous internal audit recommendations ranked “high” to determine whether they had been effectively implemented. 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 was undertaken. The resultant follow up audit report was attached as an appendix to the report, which included an action plan with agreed management actions.

Finally, the committee noted that follow up work on information security and the council’s information asset register concluded that control remained unsound.

It was recommended that the Audit Committee note that control was considered to remain unsound.

In response to questions from members, more information was provided in relation to the work proceeding to update the asset register and remove legacy systems which should have been tackled before; to the current and up-to-date progress towards completion of outstanding tasks; and to training of and communication to staff. Members were also given a brief overview of the work started to prepare for the introduction of the General Data Protection Regulation (GDPR) in mid-2018. The committee was assured that there were risk controls in place and that they were regularly reviewed.

Decision

Noted the recommendation in the report.

8. INTERNAL AUDIT OF TAXI AND PRIVATE HIRE CAR DRIVER LICENSING

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager, providing details of the outcome of an audit of taxi and private hire car driver licensing.

The report advised that in accordance with the annual audit plan for 2017/18, an audit of taxi and private hire car driver licensing was undertaken. The audit objectives were to determine whether controls were in place which ensured that licences were only granted to drivers who met the licensing criteria and who were eligible to work in the UK. The resultant audit report was attached as an appendix to the report, which included an action plan with an agreed management action.

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

In response to questions from members, more information was provided in relation to the review of the reporting process and the move to an electronic workflow system after the introduction of "Objective", the new electronic documents management system in late 2017. The committee was informed about the assessment of incidents with a view to determining what breaches required to be reported to the Information Commissioner, and advised that the annual compliance statements reported as part of the annual report on corporate governance would show the number of breaches and the number of those reported.

Decision

- Noted the recommendation in the report; and
- Noted that the role of Corporate Communications in mitigating the reputational harm caused by breaches would be added to the new procedure.

9. INFORMATION SECURITY BREACHES - RISK ASSESSMENT: PROGRESS REPORT

The committee considered a report (copies of which had been circulated) by the Head of Corporate Services providing an update on the progress with the action plan and review of procedures relating to risk assessment of information security breaches.

The report explained that 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. Eight actions were agreed with the Head of Corporate Services and an update on the progress against these actions were outlined in the report. All of the audit actions were now completed and set out in the action plan progress report attached at appendix 1 to the report. A revised risk assessment procedure was agreed by the Information Management Working Group and the ICT Programme Board, details of which were attached at appendix 2 to the report. The revised risk assessment placed responsibility for completion of the risk assessment on the Head of Service and introduced a two stage process for assessing risk. The committee also noted that the role of Corporate Communications in mitigating the reputational harm caused by breaches would be added to the new procedure.

The audit concluded that details of all high risk security breaches were to be reported to the ICT Programme Board. Consideration should also be given to including details of any high risk information security breaches or breaches which had been reported to the ICO in the annual Compliance Statement. The 2016/17 Information Security Annual Compliance Statement was compiled following consultation with Heads of Service and following review at the Governance and Risk working group.

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

Decision

1. Noted the recommendation in the report; and
2. Noted that the role of Corporate Communications in mitigating the reputational harm caused by breaches would be added to the new procedure.

10. INTERNAL AUDIT OF MONITORING OF VOLUNTARY AND NOT FOR PROFIT ORGANISATIONS

The committee considered a report (copies of which had been circulated by the Audit, Risk and Counter Fraud Manager providing details of the outcome of an audit of the monitoring of voluntary and not for profit organisations.

In accordance with the annual audit plan for 2016/17, the council carried out an audit of the monitoring of voluntary and not for profit organisations. The audit objective was to determine whether adequate procedures were in place for the monitoring of these organisations, following payments having been made to them by the council. The resultant audit report was attached as an appendix to the report which included an action plan with agreed management actions. It was concluded that control was effective in relation to Social Policy funded organisations and unsound in relation to other areas.

Officers then responded to questions from members of the committee. In response to a question relating to the agreed management actions within the action plan, the Head of Planning, Economic Development and Regeneration undertook to provide an update to the December 2017 meeting on the progress made with the agreed actions. It was also recommended that the Head of Finance and Property Services should raise with CMT colleagues the need for appropriate paperwork and agreement before paying public funds to voluntary organisations.

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

In response to questions from members, more information was provided in relation to the work which had been undertaken to improve what was a function inherited from a different council service area, including organisation health checks, introducing written funding agreements for all, enforcing adherence to procedures, and restricting decision-making to Head of Service and Service Manager level. Members were assured that the deficiencies in procedures and controls that had resulted in the findings of the internal audit report were being addressed and that robust new processes were being put in place and would be robustly applied. It

was accepted that there was a need for proportionality when dealing with voluntary organisations, but that at the moment the emphasis was on putting procedures in place to meet the criticisms in the report.

Decisions

1. Noted the recommendation in the report;
2. Agreed that the Head of Planning, Economic Development and Regeneration would report to the December committee meeting on progress made with the agreed management actions; and
3. Noted that the Head of Finance and Property Services would raise with CMT colleagues the need for appropriate paperwork and agreement before paying public funds to voluntary organisations.

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

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager, providing details of the outcome of an internal audit of the council's processes for monitoring and reporting on West Lothian Leisure's financial position.

The report advised that by agreement with the West Lothian Leisure Chief Executive and West Lothian Council Head of Finance and Property Services, a review of the processes within the council for monitoring and reporting on the West Lothian Leisure financial position was undertaken. The resultant audit report was attached as an appendix to the report which included an action plan with agreed management actions.

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

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

In response to questions from members, more information was provided in relation to the previous practice of reports and information not being provided in advance of officer meetings, and the risks of information not being understood and challenged. Members were assured that changes and improvements had already been implemented, with papers shared a week before meetings.

Decision

Noted the recommendation in the report.

12. CONSIDERATION OF 2016/17 ANNUAL ACCOUNTS (UNAUDITED)

The committee considered a report (copies of which had been circulated)

by the Head of Finance and Property Services, which included the 2016/17 Annual Accounts of the Council (unaudited). West Lothian Council Annual Accounts (unaudited) 2016/17 was attached as an appendix to the report.

The report explained that the Local Authority Accounts (Scotland) Regulations 2014 included 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 stated that the unaudited accounts must be considered by the council or a committee whose remit included 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 related.

The 2016/17 Annual Accounts were subject to audit. On completion of the Ernst and Young LLP review the Audited Accounts would be presented to Council on 26 September, which was compliant with the provisions of the 2014 Regulations.

Finally, it was noted that the arrangements made would 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.

In response to a question raised relating to the reduction in short-term deposits for 2016/17 compared to the previous year, as outlined on page 56, note 28 in the annual accounts, the Head of Finance and Property Services undertook to provide members with more information following the meeting.

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

Decisions

1. Approved the recommendation in the report; and
2. Agreed that the Head of Finance and Property Services would provide members with more information relating to the reduction in short-term deposits.

13. LOCAL GOVERNMENT IN SCOTLAND PERFORMANCE AND CHALLENGES 2017

The committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services, which provided a summary of the report *Local Government in Scotland Performance and Challenges 2017*, published by the Accounts Commission on 7 March 2017, and which also outlined officer responses to the points included in the self-assessment tool for councillors.

The report *The Accounts Commission's series of local government overview reports* provided a summary of their views on how councils were managed and performing, including the progress councils were making in managing their finances and achieving Best Value. The reports draw upon recent audit work completed by Audit Scotland and provided an independent view on progress.

The report provided a high level view of the challenges facing councils, how well councils were addressing these challenges and what more councils could do to maintain or improve services for the public within reduced resources. The Accounts Commission expected 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.

The key messages and recommendations made were included in the report. Officers responses to the points raised within the councillors self-assessment tool were also provided, details of which were attached as an appendix to the report.

The report highlighted that councils would continue to spend an increasing proportion of their budgets on education and social work. Population predictions showed an increase in both children and those aged over 75. For West Lothian, the report predicted that the over 75 population would increase by 130.8% between 2014 and 2039, representing the largest increase of a Scottish local authority. It was recommended that an exercise be 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.

Finally, the Accounts Commission's *Local Government in Scotland Performance and Challenges 2017* report outlined the major challenges to service delivery in local government. The report emphasised the need to focus on improving long term planning to ensure that councils could continue to maintain priority services within reduced resources. Consideration of the issues within the report, and the detailed responses to the checklist, would assist in ensuring that the council continues to be well placed to meet the challenges ahead.

During the course of the discussion it was recommended that the Head of Finance and Property Services circulate the Self-Assessment Tool for Councillors to all council members.

It was 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 could be used by elected members to review the council's progress in implementing the recommendations within the report; and

3. Agrees that an exercise be 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.

In response to questions from members, more information was provided in relation to sickness absence and impacts on staff of budget reductions and efficiencies. The Head of Finance & Property Services advised members that every saving proposal had its own business case which included an assessment of the impact of staff. He advised that forecast financial constraints meant that the council could not in future carry on all its present activities and that some prioritisation of resources would be required. He confirmed that council had already instructed officers to prepare for a public consultation in the autumn about priorities and efficiencies and that there would inevitably be a reduction in staffing levels.

Decisions

- Approved the recommendation in the report; and
- Agreed that the Head of Finance and Property Services would circulate the Self-Assessment Tool for Councillors to all council members.

14. LOCAL SCRUTINY 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 Local Scrutiny Plan 2017/18 prepared jointly by West Lothian Council's external scrutiny bodies.

The report explained that the Local Scrutiny Plan was based on a shared risk assessment undertaken by a local area network (LAN) comprising representatives of all the scrutiny bodies engaging 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. West Lothian Council's Local Scrutiny Plan 2017/18 was attached as an appendix to the report.

The report concluded by confirming that no scrutiny risks were identified which required specific scrutiny by the LAN in 2017/18.

It was 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.

Decision

Noted the recommendation in the report.

15. EXTERNAL QUALITY ASSESSMENT

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager, providing details of the outcome of an external assessment of the internal audit service.

The Public Sector Internal Audit Standards (PSIAS) requires that a quality assurance and improvement programme covering all aspects of internal audit activity be maintained, which must include both internal and external assessments. The purpose of the programme was to demonstrate compliance with the PSIAS and the efficiency and effectiveness of the internal audit service. The PSIAS requires that an external assessment be 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 were reviewed for compliance by their peers. This took the form of a validated self-assessment. The Internal Audit Manager of Moray Council was assigned to review West Lothian Council's internal audit service..

It was recommended that the Audit Committee notes that the external assessor has concluded that West Lothian Council's internal audit service complies in all material respects with the requirements of the Public Sector Internal Audit Standards.

Decision

Noted the recommendation in the report.

16. COUNTER FRAUD REPORT 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 performance and activities of the Counter Fraud Team (CFT) during the financial year 2016/17.

The report provided details of the Annual Counter Fraud Plan 2016/17 which was approved by the Audit and Governance Committee on 29 February 2016. The main activities of the Counter Fraud Team (CFT) involved 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. A summary of the counter fraud training sessions delivered in 2016/17 was provided in appendix 2 in the report.

The committee was advised that cases where fraud and irregularity was established in 2016/17 were summarised in appendix 1 to the report and considered in private, exempt in terms of Paragraph 14 of Part 1 of

Schedule 7A of the Local Government (Scotland) Act 1973 on the grounds that it involved the likely disclosure of exempt information.

A summary of all CFT performance indicators was provided in Appendix 3 to the report.

The report highlighted the performance and activities of the Counter Fraud Team (CFT) during the financial year 2016/17. The work of the CFT was 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.

It was recommended that the Audit Committee notes the performance and activities undertaken by the Counter Fraud Team during 2016/17.

In response to questions from members, more information was provided in relation to the procedures followed by officers in carrying out investigations and training.

Decision

Noted the recommendation in the report.

17. PRIVATE

The committee resolved under Section 50(A)(4) of the Local Government (Scotland) Act 1973, that the public be excluded from the meeting during consideration of the appendix to the Counter Fraud Report 2016/17 and Internal Audit of Building Services Stores report on the grounds that they involved the likely disclosure of exempt information under Schedule 7A of the Act.

18. COUNTER FRAUD REPORT 2016/17 - APPENDIX 1

The committee considered appendix 1 to the Counter Fraud Report 2016/17 (copies of which had been circulated) which was deemed to be exempt under Paragraph 14 of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as it involved the likely disclosure of exempt information.

The committee noted that 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 Counter Fraud Team was £108,850. The cases where fraud and irregularity was established in 2016/17 were summarised in appendix 1 to the report.

It was recommended that the Audit Committee note the summary of Fraud/Irregularity Established in 2016/17 outlined in appendix 1 to the Counter Fraud report 2016/17.

In response to questions from members, more information was provided in relation to the completion of actions agreed through previous committee reports and decisions.

Decision

Noted the Summary of Fraud/Irregularity established in 2016/17.

19. INTERNAL AUDIT OF BUILDING SERVICES STORES

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager, providing details of the outcome of an internal audit of Building Services stores. The report was exempt under Paragraph 14 of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 on the grounds that it involved the likely disclosure of exempt information.

In accordance with the council's Anti-Fraud and Corruption Policy an investigation was carried out by the council's Counter Fraud Team (CFT) following a referral received during 2015/16. At the conclusion of the CFT investigation the matter was referred to Police Scotland.

This matter was also reported to the Audit and Governance Committee on 26 September 2016. In light of these matters, and in accordance with the revised audit plan approved by the Audit and Governance Committee on 19 December 2016, a review of Building Services stores was undertaken. The objective of the audit was to review progress in implementing the agreed improvement actions arising from the counter fraud report. The resultant audit report was attached as an appendix to the report and included an action plan with agreed management actions.

In conclusion, the committee noted that the review of Building Services stores concluded that the level of control was satisfactory.

It was recommended that the Audit Committee notes that control was considered to be satisfactory.

In response to questions from members, more information was provided in relation to the systems introduced to ensure supervision of members of the public, and on the outcome of criminal proceedings arising from one investigation.

Decision

Noted the recommendation in the report.



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 the framework of governance, risk and 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 West Lothian Council decided that the existing Audit and Governance Committee should be replaced by two new committees – the Audit Committee and the 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: 25 September 2017

AUDIT

Kenneth Ribbons, Audit Risk and Counter Fraud
Manager



www.westlothian.gov.uk



www.facebook.com/westlothiancouncil



twitter.com/lovewestlothian



West Lothian
Council

Introduction

- Audire = Latin “to hear”
- Checking of commercial transactions – counter fraud
- 16th Century England - Auditor of the Receipt of the Exchequer

External Audit - History

- Joint stock companies and the industrial revolution
- High rates of financial failure / unlimited liability
- 1900 – Companies Act

External Audit - Purpose

- Auditors appointed by management and independent
- Auditors report to shareholders / members
- Audit of the accounts
- Form a view as to the whether the accounts are “true and fair”

External Audit – Local Government

- Local Government Scotland Act 1973 – Accounts Commission
- Form a view as to the accounts “true and fair” and “properly prepared”
- Wider public sector duties – financial sustainability, financial management, governance and transparency, value for money

Internal Audit - History

- Early 20th century
- Institute of Internal Auditors founded 1941
- Internal auditors employees of the company
- Internal auditors a tool of management
- Scrutiny of internal financial processes

Internal Audit – Local Government

- Statutory Function – Local Authority Accounts (Scotland) Regulations 2014
- Professional and objective
- In accordance with recognised standards and practices

Public Sector Internal Audit Standards

- Compulsory standards in the UK public sector
- Independent and objective
- Risk based plan
- Provide an annual opinion on framework of governance, risk and control

Internal Audit Definition

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

Risk Based Audit

- Financial Planning
- Information Security
- Project Management
- Child Protection
- Asbestos / Legionella

Questions?



www.westlothian.gov.uk



www.facebook.com/westlothiancouncil



twitter.com/lovewestlothian



West Lothian
Council



AUDIT COMMITTEE

AUDIT SCOTLAND SELF-DIRECTED SUPPORT 2017 PROGRESS REPORT

REPORT BY JANE KELLOCK, HEAD OF SOCIAL POLICY

A. PURPOSE OF REPORT

To provide the Audit Committee with:

1. A summary of the findings of the Audit Scotland Self-directed Support 2017 progress report
2. A summary of West Lothian's progress in implementing Self-directed Support using the Audit Scotland *Checklist for councillors and board members* (Appendix 1)

B. RECOMMENDATION

It is recommended that the Audit Committee:

1. Notes the key findings and recommendations of the Audit Scotland Self-directed Support 2017 progress report
2. Notes West Lothian's progress in implementing Self-directed Support summarised in the Audit Scotland *Checklist for councillors and board members*

C. SUMMARY OF IMPLICATIONS

I Council Values	<ul style="list-style-type: none">• Focusing on our customers' needs• Being honest, open and accountable• Providing equality of opportunities• Developing employees• Making best use of our resources• Working in partnership
II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	Compliance with the Social Care (Self-directed Support) (Scotland) Act 2013. The Act commenced 1 April 2014.
III Implications for Scheme of Delegations to Officers	None
IV Impact on performance and performance Indicators	None – the Audit Scotland report references existing performance monitoring and reporting mechanisms.
V Relevance to Single Outcome Agreement	Our children have the best start in life and are ready to succeed

	Older people are able to live independently in the community with an improved quality of life
	We live longer, healthier lives and have reduced health inequalities
VI Resources - (Financial, Staffing and Property)	The Scottish Government has provided year on year funding on a reducing basis to support the implementation of the 2013 Act – funding for 2017/18 was £98,000.
VII Consideration at PDSP	None to date.
VIII Other consultations	Council Leader's briefing report

D. TERMS OF REPORT

D1 Introduction

The 10 year national *Self-directed Support Strategy 2010-20* was introduced jointly by the Scottish Government and COSLA with the aim of empowering people to have more say in the decisions that affect them both as individual recipients of social care services and support and as members of their communities. The 2013 Social Care (Self-directed Support) (Scotland) Act 2013, which came into effect on 1 April 2014, is part of that strategic approach.

D2 Background

In 2014 Audit Scotland reported on councils' early progress in implementing the national strategy and their readiness for the 2013 Act – they found that councils still had a lot of work to do to make the cultural and practical changes needed for the successful implementation of Self-directed Support (SDS) and made a series of recommendations to assist this process. Audit Scotland recognised that implementing the strategy required authorities to work in partnership with other people and organisations to transform the way they provide social care to enable people to have greater choice and control.

D3 Audit Scotland Self-directed Support 2017 progress report

The aim of Audit Scotland's follow up SDS 2017 progress audit was to establish whether councils, integration authorities and the Scottish Government are making sufficient progress in implementing SDS to achieve the aims of the 10 year strategy. The audit set out to answer four key questions –

- What progress have councils and integration authorities made in implementing SDS?
- What impact is SDS having on people with support needs, carers, families and communities?
- What factors are supporting or impeding effective implementation of SDS?
- How effectively is the Scottish Government supporting implementation of SDS and evaluating its impact?

D4 Key findings from the audit – the national picture

1. There is evidence of positive progress but no evidence of the transformation required to fully implement the SDS strategy. Most people rate their social care services highly but not everyone is getting the choice and control envisaged in the SDS strategy.

Supported people and their carers need better information and help to understand SDS and make their choices. More reliable data is needed on the numbers of people choosing each SDS option and this should have been developed earlier in order to measure progress and impact.

2. Social work staff are positive about the principles of personalisation and SDS but a significant minority lacks the understanding or confidence to focus on people's outcomes or do not feel empowered to make decisions with people about their support. Front-line staff who feel equipped, trusted and supported are better able to help people choose the best support for them. What makes this possible is effective training, support from team leaders and permission and encouragement from senior managers to use their professional judgement to be bold and innovative.
3. Authorities are experiencing significant pressures from increasing demand and limited budgets for social care. Within this context changes to the types of services have been slow and authorities' approach to commissioning can have the effect of restricting people's choice and control, in particular under SDS option 2. Authorities commissioning plans do not set out clearly how they will make decisions about changing services and re-allocating budgets in response to people's choices.
4. There are tensions for service providers between offering flexible services and making demands on staff. At the same time, there are challenges in recruiting and retaining staff owing to low wages, antisocial hours and difficult working conditions.
5. SDS implementation stalled during the integration of health and social care – changing structures and arrangements inevitably diverted senior managers' attention. Experienced staff are also being lost through early retirement and voluntary severance as the pressures on budgets mount.

D5 Recommendations from the audit:

The audit report made a series of recommendations for authorities and other partners in four key areas –

- directing your own support
- assessing needs and planning support
- commissioning for SDS
- implementing the national SDS strategy

The report recommended that authorities should work with supported people, carers, providers and the Scottish Government to:

- Design more flexibility and choice into support options
- Review processes for supporting children to transition into adult services
- Develop the accuracy and consistency of national data on choices of SDS option
- Develop methods to understand the impact of SDS on supported people and carers
- Provide staff with further training and help on identifying and planning for outcomes
- Work with supported people and carers to review assessment and support planning processes to make them simpler and more transparent
- Establish clear guidance for staff on discussing the balance between innovation, choice and risks with supported people and carers and implementing local policies
- Support staff in applying professional judgement when developing innovative solutions to meet individual needs flexibly
- Ensure the provision of information on sources of support to people accessing SDS
- Work with supported people, carers and providers to review the information and help they offer to people during assessments, reviews and planning discussions

- Develop longer-term commissioning plans that set out clearly how more choice and flexibility will be achieved and how decisions will be made on re-allocating money from one type of service to another
- Work with supported people, carers and providers to develop more flexible outcome-focused contractual arrangements
- Work with communities to develop alternative services to meet local needs
- Develop targeted information and training on SDS for healthcare staff
- Monitor and report to what extent outcomes are being met and use this in planning
- Review future independent information, advice and advocacy service needs and funding
- Agree how future financial support should be allocated and link this to commissioning strategies
- Seek solutions to recruitment and retention problems in the social care workforce
- Ensure the requirement to effectively implement SDS is reflected in all policies and guidance
- Report publically on progress against the 2016-18 SDS implementation plan

D6 Progress on implementing Self-directed Support in West Lothian

The findings of the Audit Scotland report reflect the challenges that councils have faced in making the significant changes required for the implementation of SDS as the mechanism for the delivery of social care and support in Scotland.

The report highlights many of the issues that we have identified locally as areas for further development and improvement and the factors that impact on delivering these. However, in West Lothian we have been making effective progress in all the areas of SDS implementation considered by the report and in planning the future work that is required to complete the full implementation of the SDS strategy.

The report includes a *Self-directed Support: Checklist for councillors and board members* to inform consideration of local progress in implementing SDS and this checklist has been completed and is attached to this report as Appendix 1.

E. CONCLUSION

The Audit Scotland report has provided a useful analysis of the progress across Scotland in implementing a key national policy for the delivery of social care. The position in relation to the implementation of SDS nationally is reflected locally and demonstrates the scale of the transformational change required. However, effective progress has already been made and there is strong local commitment across key partners and stakeholders to continue the work which will ensure the implementation of the 2010-20 SDS strategy.

F. BACKGROUND REFERENCES

Social Care (Self-directed Support) (Scotland) Act 2013

Appendices / Attachments:

Audit Scotland Self-directed Support 2017 progress report – Supplement 3 *Checklist for councillors and board members*

Contact Person: Jill Derby, Service Development Officer
01506 281917
Jill.derby@westlothian.gov.uk

Date of meeting: 25 September 2017

Briefing Note for Councillors – Audit Scotland: Self-directed Support 2017 progress report

The 10 year national Self-directed Support Strategy 2010-20 was introduced jointly by the Scottish Government and COSLA with the aim of giving people more say in the decision-making that affects them both as individual recipients of social care and as members of their communities. The 2013 Social Care (Self-directed Support) (Scotland) Act, which came into effect in 2014, is part of that strategic approach. In 2014 Audit Scotland reported on councils' early progress in implementing the national strategy and their readiness for the 2013 Act – they found that councils still had a lot of work to do to make the cultural and practical changes needed for the successful implementation of Self-directed Support (SDS) and made a series of recommendations to assist this process. Audit Scotland recognised that implementing the strategy required authorities to work in partnership with other people and organisations to transform the way they provide social care to enable people to have greater choice and control.

The aim of Audit Scotland's follow up SDS 2017 progress audit was to establish whether councils, integration authorities and the Scottish Government are making sufficient progress in implementing SDS to achieve the aims of the 10 year strategy. The audit set out to answer four key questions –

- What progress have councils and integration authorities made in implementing SDS?
- What impact is SDS having on people with support needs, carers, families and communities?
- What factors are supporting or impeding effective implementation of SDS?
- How effectively is the Scottish Government supporting implementation of SDS and evaluating its impact?

Key Messages from the audit:

1. There is evidence of positive progress but no evidence of the transformation required to fully implement the SDS strategy. Most people rate their social care services highly but not everyone is getting the choice and control envisaged in the SDS strategy. Supported people and their carers need better information and help to understand SDS and make their choices. More reliable data is needed on the numbers of people choosing each SDS option and this should have been developed earlier in order to measure progress and impact.
2. Social work staff are positive about the principles of personalisation and SDS but a significant minority lacks the understanding or confidence to focus on people's outcomes or do not feel empowered to make decisions with people about their support. Front-line staff who feel equipped, trusted and supported are better able to help people choose the best support for them. What makes this possible is effective training, support from team leaders and permission and encouragement from senior managers to use their professional judgement to be bold and innovative.
3. Authorities are experiencing significant pressures from increasing demand and limited budgets for social care. Within this context changes to the types of services have been slow and authorities' approach to commissioning can have the effect of restricting people's choice and control, in particular under SDS option 2. Authorities commissioning plans do not set out clearly how they will make decisions about changing services and re-allocating budgets in response to people's choices.
4. There are tensions for service providers between offering flexible services and making demands on staff. At the same time, there are challenges in recruiting and retaining staff owing to low wages, antisocial hours and difficult working conditions.

5. SDS implementation stalled during the integration of health and social care – changing structures and arrangements inevitably diverted senior managers' attention. Experienced staff are also being lost through early retirement and voluntary severance as the pressures on budgets mount.

Recommendations from the audit:

1. Directing your own support
Authorities should work with supported people, carers and providers to:
 - Design more flexibility and choice into support options
 - Review processes for supporting children to transition into adult services and with Scottish Government, COSLA and partners to continue to develop:
 - The accuracy and consistency of national data on number of people for each SDS option
 - Methodologies to understand the impact of SDS on supported people and their carers
2. Assessing needs and planning support
Authorities should:
 - Provide staff with further training and help on identifying and planning for outcomes
 - Work with supported people and carers to review assessment and support planning processes to make them simpler and more transparent
 - Establish clear guidance for staff on discussing the balance between innovation, choice and risks with supported people and carers and implementing local policies in practice
 - Support staff in applying professional judgement when developing innovative solutions to meet individual needs flexibly
 - Ensure they are providing information on sources of support to people accessing SDS
 - Work with supported people, carers and providers to review the information and help they offer to people during assessments, reviews and planning discussions
3. Commissioning for SDS
Authorities should:
 - Develop longer-term commissioning plans that set out clearly how more choice and flexibility will be achieved and how decisions will be made on re-allocating money from one type of service to another
 - Work with supported people, carers and providers to develop more flexible outcome-focused contractual arrangements
 - Continue to work with communities to develop alternative services to meet local needs
4. Implementing the national SDS strategy
Authorities should:
 - Develop targeted information and training on SDS for healthcare staff involved in support
 - Monitor and report the extent to which outcomes are being met and use this in planning and with Scottish Government, COSLA and partners work to:
 - Review future independent information, advice and advocacy service needs and funding
 - Agree how future financial support to be allocated and links to commissioning strategies
 - Seek solutions to recruitment and retention problems in social care workforce
 - Ensure requirement to effectively implement SDS is reflected in all policies and guidance
 - Routinely report publically on progress against the 2016-18 SDS implementation plan

West Lothian position:

See completed Supplement 3 of the Audit Scotland report attached as Appendix 1.


Self-directed support

Checklist for councillors and board members

ACCOUNTS COMMISSION 

AUDITOR GENERAL 



The Auditor General and the Accounts Commission published their joint report, [Self-directed support, 2017 progress report](#) , on 24 August 2017. This checklist accompanies that report and sets out some questions that councillors and board members might ask to seek assurance about progress in implementing self-directed support in their council or integration authority.

Paragraphs in main report	Questions for councillors and board members to consider	Assessment	Required actions
How users, carers and families experience self-directed support in our authority			
Paragraphs 15-22, 65-66	<p>Do we now offer self-directed support (SDS) to all eligible people when we assess or review their social care needs?</p> <ul style="list-style-type: none"> In what circumstances are people not offered the four SDS options? What are we doing to give these people more choice and control? 	<p>Yes – all adults and older people and all children and young people with disabilities. We are still working on the universal roll out to wider Children's Services but SDS options are available on a case-by-case basis.</p>	<ul style="list-style-type: none"> Roll out of the four SDS options to wider Children's Services Ongoing promotion of outcomes-focused care and support planning
Paragraphs 23-29	<p>How many people do we support, how many people have been offered the SDS options, and how many people have chosen each option?</p> <ul style="list-style-type: none"> How do we expect these numbers to change in future, and why? 	<p>We currently support 3,360 people eligible for SDS.</p> <p>In the past 12 months, the following SDS choices have been made:</p> <p>SDS 1 – 100 SDS 2 – 281 SDS 3 – 850 SDS 4 – 128</p>	<ul style="list-style-type: none"> Improved recording of adult SDS choices Development of SDS recording processes for Children's Services Completion of reviews /SDS choice <p>This will lead to improved reporting of people & SDS choices.</p>

Paragraphs 8, 36-43	<p>How do we involve service users, carers and providers to help design more flexibility and choice into support options?</p> <ul style="list-style-type: none"> • What do they tell us about how we could improve? 	<p>Ongoing engagement with these groups in strategic planning and commissioning.</p> <p>Notifying individuals of their SDS options and budget.</p> <p>We are making good progress but we can improve on how we support people to access more flexible support within available funding.</p>	<ul style="list-style-type: none"> • Build on existing engagement and involvement approaches • Active participation strategies in relation to strategic planning • Ongoing workforce skills development to enable staff to support flexible care and Support planning
Paragraphs 36-43, 47-51	<p>Have we reviewed our assessment and support planning processes to make them simpler and more transparent?</p> <ul style="list-style-type: none"> • What do users and carers think about the processes? 	<p>Yes – our assessment and support planning recording frameworks clearly show assessed needs and outcomes and eligibility – this enables us to advise people of their estimated budget so they may make an informed choice of SDS option and work in partnership with us on their support plan.</p> <p>Generally, users / carers like knowing their budget and being involved in their support planning. However, they would like more information on the range of supports available to choose from and for the process to be faster.</p>	<ul style="list-style-type: none"> • Review of assessment and care and support plan recording tools as part of new IT system planning • Development of information portal re. available services, support and activities • Ongoing review of processes promoting continuous improvement re. outcomes-focused approaches.

Paragraph 38	<p>Have we reviewed our processes for supporting children to transition into adult services?</p> <ul style="list-style-type: none"> Have we jointly agreed improvement actions between children's and adult services? 	<p>This was considered during the development of the Children's Services Plan 2017-2020 – transition support has been highlighted as a key priority within the plan. This will include policies and processes in relation to SDS and transition.</p> <p>Adult services will be involved in the work on transition and in developing appropriate improvement plans.</p>	<ul style="list-style-type: none"> Review of transition processes and support – this to be done in partnership with adult services Development of action plans to address identified areas of transition work
Paragraphs 35, 47-51	<p>Have we reviewed the information and help we offer to people during assessments, reviews and planning discussions?</p> <ul style="list-style-type: none"> Do people understand our information? Does everyone who needs it get it? Do they get it at the right time? How have we involved users, carers and providers in reviewing the information and help? Do we offer people independent advice and advocacy when they need it? 	<p>Yes – we ensure that people are aware that they have a choice of four SDS options and that they are given an estimate of the support budget linked to their eligible needs and outcomes.</p> <p>Yes – practitioners provide and explain the relevant information to supported people and their carers / families.</p> <p>We have involved supported people and other key stakeholders in developing our approaches to SDS delivery.</p> <p>We offer access to both independent advice and information and independent advocacy services.</p>	<ul style="list-style-type: none"> Ongoing review of our SDS processes, including information sharing Continued commissioning of independent advice and information and advocacy services Ongoing stakeholder participation in strategic planning and review of SDS processes
Paragraphs 25, 36, 44-46	<p>What difference is SDS making to people's personal outcomes?</p> <ul style="list-style-type: none"> How do we record and monitor this so that we know if things are improving across the board? How are we using this information to plan future SDS processes and services? 	<p>Our assessment processes are linked to six key outcome areas and people are accessing SDS to meet their eligible needs and outcomes.</p> <p>We record progress towards outcomes at the point of assessment and review. This information will help to plan future SDS delivery.</p>	<ul style="list-style-type: none"> Information is gathered at an individual level – more robust collation and analysis of information is needed Improved use of SDS data to support commissioning

Supporting social work staff to implement SDS

Paragraphs 44-46, 52-54	Do all our social work staff feel they have the time, information, training and support they need to be able to identify and plan for people's personal outcomes?	Training and support has been delivered as part of SDS implementation and ongoing support is available. However, the challenge of implementing such significant changes to service culture and delivery cannot be underestimated.	<ul style="list-style-type: none"> • Specific training required to develop staff skill in relation to outcome focused assessments. • Provision of appropriate advice and information • Support via supervision
Paragraphs 44-46	Do all our social work staff fully understand outcomes? <ul style="list-style-type: none"> • Are they confident about working with personal outcomes? • Have they had sufficient training? 	Input on outcomes was delivered to staff as part of SDS implementation – however, some staff are more confident than others in working with personal outcomes in the context of SDS	<ul style="list-style-type: none"> • Workforce development programme to include input on outcomes-focused working
Paragraphs 52-54	Do our behaviours and processes encourage and support social work staff to develop innovative solutions to meet individual needs flexibly?	Yes – our processes for identifying the individual budget linked to the eligible needs and outcomes allows staff to work with supported people and their carers / families to look at flexible and creative care and support planning. However, both practitioners and supported people and their carers are still learning about how to maximise the potential flexibility offered by SDS.	<ul style="list-style-type: none"> • Ongoing support to staff and organisational permission to explore creative solutions

Paragraphs 55-58	Do social work staff have sufficient guidance and support on how to balance innovation, choice and risks with service users and carers?	<p>Policies and procedures, guidance and support from supervisors, learning and development input, etc. support staff in relation to balancing choice and control with risk analysis and their duty of care.</p> <p>The ongoing development of positive risk-taking approaches will support this.</p>	<ul style="list-style-type: none"> • Ongoing workforce development in relation to choice and risk • Ongoing support for personalised support planning linked to individual outcomes
------------------	---	---	---

Monitoring and planning progress in SDS implementation

	<p>Do we regularly review our progress in implementing SDS?</p> <ul style="list-style-type: none"> • Do we review progress against our SDS implementation plans? • Do we monitor and report on the SDS options chosen by people, ensuring this data is accurate and consistent? • Do we monitor and report on the whether people's personal outcomes are being met with SDS? 	<p>Yes – progress is reviewed using performance reports / reports to management teams / evaluation against local and national implementation plans / evaluation against the national strategy / evaluation against external reports / benchmarking with other authorities / use of Scottish Government surveys, etc.</p> <p>We review data on SDS option choices and how this links to commissioning and strategic commissioning plans.</p> <p>We monitor progress via individual reviews but we are working on our need for improvement in this area.</p>	<ul style="list-style-type: none"> • Improved performance reports and information reporting and analysis • Ongoing evaluation against a range of plans and reports • Ongoing developments in outcomes-focused support planning and review
	Do we use national information, reports and tools to help us improve how we are implementing SDS?	Yes	This work is ongoing

Paragraphs 63-72	<p>Do our strategic commissioning and related plans show:</p> <ul style="list-style-type: none"> • how more choice and control will be achieved for service users? • how decisions will be made about re-allocating resources from one type of service to another in response to people making their SDS choices? 	<p>Our strategic commissioning plans acknowledge the impact and requirements of SDS implementation and our aim to improve choice and control for supported people and carers.</p> <p>It is intended to review services in the context of SDS implementation and to support an approach of continuous review and improvement based on learning from the new SDS processes.</p>	<p>The review of services will inform commissioning and the prioritisation of investment and disinvestment in line with assessed needs.</p>
Paragraphs 65-70	<p>Are we using flexible contractual arrangements that give supported people and providers the opportunity to be flexible about support?</p> <ul style="list-style-type: none"> • Have we involved users, carers and providers in developing this? • If we do not have outcomes-focused contractual arrangements, how are we giving supported people flexibility, choice and control? 	<p>This work is ongoing but we have introduced a range of framework agreements; actively supported access to choice via SDS option 2, including developing a 3-way contract, and piloted Individual Service Fund arrangements. Stakeholders have helped to inform this work.</p>	<ul style="list-style-type: none"> • Workforce development re. contractual processes, especially re. option 2 • Ongoing stakeholder involvement
Paragraphs 73-75	<p>Are we working with communities to develop alternative services and activities that meet local needs?</p> <ul style="list-style-type: none"> • How are these community-based services and activities helping to support people? • Are there opportunities to develop more community-based services and activities? 	<p>Strategic commissioning plans are informed by community planning processes and stakeholder engagement and a wide range of services are commissioned or supported by the authority. However, there is still work to be done in this area.</p>	<ul style="list-style-type: none"> • Proactive approaches to community support and involvement in strategic planning • Joined up commissioning
Paragraph 91	<p>Have we developed targeted information and training on SDS for healthcare professionals who have direct or indirect influence on people's health and social care support, including:</p> <ul style="list-style-type: none"> • primary care professionals such as GPs, district nurses, occupational health professionals? • hospital staff who may influence decisions about discharging patients when they need temporary or permanent support? • managers and administration staff? 	<p>Training input on SDS for health staff was developed in the early stages of implementation but this requires further work. Health and social care integration has the potential to support joined up approaches to the delivery of services and support to people in their communities – strategic planning and workforce development programmes need to reflect this.</p>	<ul style="list-style-type: none"> • SDS information and training to be included in workforce development programmes for healthcare staff • Integrated strategic planning processes to



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

T: 0131 625 1500 E: info@audit-scotland.gov.uk 

www.audit-scotland.gov.uk 

For the latest news, reports
and updates, follow us on:





West Lothian
Council

AUDIT COMMITTEE

INTERNAL AUDIT OF BUSINESS CASE EXEMPTIONS

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of the outcome of an audit of exemptions from the approved competitive procurement process.

B. RECOMMENDATION

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

In accordance with the annual audit plan for 2016/17, we have undertaken an audit of procurement business case exemptions. Business case exemptions are required to be completed in exceptional circumstances where a service does not deem it appropriate or possible to go through a competitive procurement process. The objective of the audit was to review compliance with Standing Orders for the Regulation of Contracts and the business case exemption process as detailed in Corporate Procurement Procedures. 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 in relation to the exemptions process is unsound.

F. BACKGROUND REFERENCES

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

Appendices/Attachments: Internal audit report dated 13 September 2017: Review of Business Case Exemptions.

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

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 25 September 2017



CW1609

INTERNAL AUDIT REPORT

COUNCIL WIDE

REVIEW OF BUSINESS CASE EXEMPTIONS (CPU003)

13 September 2017



westlothian.gov.uk

CONTENTS

No.	Section	Page
1.	Executive Summary	1 - 2
2.	Remit	3
3.	Action Plan	4 - 10
	<u>Appendices</u>	
	Appendix A: Summary Review of Volume of BCEs	11
	Appendix B: Audit Findings BCEs £1,000 to £4,999	12
	Appendix C: Audit Findings BCEs £5,000 to £49,999	13
	Appendix D: Aggregate Purchase Value - Extract from Procurement Procedures	14
	Appendix E: Definitions of Audit Findings & Audit Opinion	15

1.0 EXECUTIVE SUMMARY

- 1.1 In accordance with the annual audit plan for 2016/17, we have undertaken a review of the council Business Case Exemptions (BCEs) process as set out in the Standing Orders for the Regulation of Contracts and conclude that the level of control is **unsound**.
- 1.2 The audit remit is set out in section two.
- 1.3 The BCE process is one of the key internal controls listed in the council's Covalent Risk Register for risk CPU003 - Breaches of Council Standing Orders, Policies and Procedures for the Procurement of Contracts (assessed as 'Medium' risk). BCEs are required to be completed in exceptional circumstance where a service does not deem it appropriate or possible to go through a competitive procurement process. The Standing Orders for the Regulation of Contracts and Corporate Procurement procedures detail the process that is required to be followed for the recording and approval of BCEs at various thresholds.
- 1.4 BCEs between the thresholds of £1,000 and £4,999 must be approved by the relevant Head of Service and BCEs between the thresholds of £5,000 and £49,999 must be approved the Head of Corporate Services who is the Responsible Officer for Procurement. Prior to 1 April 2016, the Responsible Officer for Procurement was the Head of Finance and Estates.
- 1.5 Exemptions where the contract value is £50,000 or greater but less than the OJEU procurement thresholds may only be granted by the Council Executive.
- 1.6 The tables below summarise the volume of BCE requests and approvals over the last three financial years. A further break down of this information by service area is provided in Appendix A.

BCEs Approved by Heads of Service - £1,000 to £4,999

Financial Year	No of BCEs	BCEs Approved
2014/15	69	100%
2015/16	147	100%
2016/17 (to Jan)	78	100%
Total	294	-

BCEs Approved by the Responsible Officer for Procurement - £5,000 to £49,999

Financial Year	No of BCEs	BCEs Approved
2014/15	492	62%
2015/16	112	80%
2016/17 (to Jan)	110	74%
Total	714	-

- 1.7 The findings in section 3.3 and 3.4 of the action plan are ranked as 'High' importance. These relate to a significant number of internal control weaknesses with both the BCE process approved by Heads of Service (Appendix B) and the BCE process approved by the Responsible Officer for Procurement (Appendix C). These include:
- ineffective controls in place to ensure BCE forms are fully completed and properly authorised;
 - ineffective controls in place to prevent the duplicate use of BCEs;

- ineffective controls in place to confirm the accuracy of BCEs recorded as “One Off”;
 - ineffective controls in place to ensure compliance with the procurement procedures rules for aggregated spend prior to the BCE being authorised;
 - ineffective controls in place to ensure that the actual level of spend with the BCE supplier for the specific goods/works/services does not exceed the approved level of spend.
- 1.8 The action plan in section three details our findings, grades their importance (Appendix E) and includes agreed actions. The implementation of agreed actions will help improve control.
- 1.9 We appreciate the assistance of all staff contacted during the conduct of our audit. Should you require any further assistance please contact Stuart Saunders, Senior Compliance Officer.

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

2.0 REMIT

- 2.1 The objective of the audit was to review compliance with Standing Orders for the Regulation of Contracts and the business case exemption process as detailed in the Corporate Procurement procedures.
- 2.2 The audit involved a review of a sample of business case exemptions approved by the relevant Heads of Service (valued between £1,000 and £4,999) and a sample of exemptions approved by the Responsible Officer for Procurement (valued between £5,000 and £49,999) during the financial year 2016/17.
- 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 The draft report was discussed and agreed for factual accuracy with David Brown (Corporate Procurement Manager) on 29 May 2017 and with Julie Whitelaw (Head of Corporate Services) on 21 August 2017.
- 2.5 The Responsible Officer for Procurement and the relevant Heads of Service 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 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>Responsible Officer for Procurement</u></p> <p>The current Standing Orders for the Regulation of Contracts and the current Corporate Procurement procedures state that Responsible Officer for Procurement is the Head of Finance and Estates. Both documents also state that the Head of Finance and Estates is the authorising officer to approve BCEs from £5,000 to £49,999.</p> <p>The Corporate Procurement Unit moved service from Finance and Estates to Corporate Services on 1 April 2016, and the role of Responsible Officer for Procurement transferred to the Head of Corporate Services at this time.</p> <p>The Standing Orders for the Regulation of Contracts and the Corporate Procurement procedures are therefore out date and do not correctly reflect current organisational procurement arrangements in the council.</p> <p>We did note that the Procurement section of the intranet correctly states that BCEs from £5,000 to £49,999 should be approved by the Head of Corporate Services.</p> <p><u>Risk</u></p> <p><i>Lack of clarity and consistency in the administration of business case exemptions.</i></p>	Standing Orders for the Regulation of Contracts and Procurement Procedures to be updated to reflect change in Responsible Officer for Procurement.	Medium
			Responsible Officer
			Julie Whitelaw (Head of Corporate Services)
			Risk Identifier
			CPU003
			Action Date
			Completed

Ref	Findings & Risk	Agreed Action	Importance Level
3.2	<p><u>Meridio group access F&PS</u></p> <p>The Corporate Procurement Unit maintains a list of service contacts for BCEs. It was noted from a review of the list that there was no service representative included on this list for Finance and Property Services</p> <p><u>Risk</u></p> <p><i>Lack of accountability / clarity over point of contact in Finance and Property Services for BCEs.</i></p>	List of service contacts to be updated to include service contact for Finance and Property Services.	Low
			Responsible Officer
			David Brown (Corporate Procurement Manager)
			Risk Identifier
			CPU003
			Action Date
			Completed

Ref	Findings & Risk	Agreed Action	Importance Level
3.3	<p><u>Review of Heads of Service BCEs (£1,000 - £4,999)</u></p> <p>A sample of 15 BCEs submitted during 2016/17 were reviewed to determine the effectiveness of the internal controls in place for the Heads of Service BCE process.</p> <p>A summary of the audit findings is detailed in Appendix B and the key internal control weaknesses identified are noted below:</p> <ul style="list-style-type: none"> effective controls are not in place to ensure BCE forms are fully completed prior to being authorised. Sample audit testing found numerous occasions of incomplete BCEs being authorised. Most notably seven of the 15 BCEs reviewed were approved with no contract period recorded on the BCE form. effective controls are not in place to ensure that BCEs are properly signed and authorised. On two occasions the BCE was not signed or was electronically typed. On one occasion the BCE was authorised by a Head Teacher and not the relevant Head of Service. The order was still approved and fully processed in PECOS. effective controls are not in place to ensure that BCEs submitted as 'one off' are accurate as there is no record of checks carried out to confirm whether or not the goods/works/services have been procured previously. Sample audit testing found eight instances of suppliers being used on numerous occasions (this year and previous years). Review of the volume of BCEs over the past three years also confirmed nine suppliers who have been used three times or more. Without effective controls or checks in place there is potential that goods/works/services are not 'one off' and have been procured previously from the same supplier. effective controls are not in place to ensure compliance with the procurement procedures rules for aggregated spend (Appendix D) prior to the BCE being authorised. Sample audit 	<ol style="list-style-type: none"> Register of BCEs records all approvals by Heads of Service. Register to be reviewed prior to any BCE spend being authorised. BCE form to be amended to require Head of Service to confirm that appropriate steps have been taken to ensure that it is appropriate to authorise the BCE. If recurring, Service to note this on the BCE form, to provide additional comment on why it is deemed appropriate to authorise the further BCE and whether any measures are to be taken to avoid further BCE in future. A quarterly report on all BCEs authorised, or live, in the quarter, to be reported to Procurement Board. 	High
			Responsible Officer
			Julie Whitelaw / Heads of Service
			Risk Identifier
			CPU003 / WLC022 / WLC020
			Action Date
			1. 30/09/2017 2. 30/09/2017 3. completed

	<p>testing found 10 instances of aggregated spend with a BCE supplier in 2016/17 greater than £4,999, 13 instances of aggregated spend over the previous 48 months greater than £4,999 and three instances of aggregated spend over the previous 48 months greater than £49,999. It is acknowledged that spend with the same supplier does not always indicate aggregated spend for the same goods/works/services. However, without effective controls or checks in place there is potential that aggregated spend for the same goods/works/services could occur and would breach the BCE threshold.</p> <ul style="list-style-type: none"> • After BCE approval, effective controls are not in place to ensure that the actual spend with the BCE supplier for the specific goods/works/services does not exceed the approved aggregated purchase value recorded on the BCE. Without effective controls or checks in place there is potential that unauthorised spend could occur and remain unnoticed. <p>A further review of the Heads of Service exemption registers from 2014/15 to date established that 294 BCEs have been raised in total. Review of the approval rate confirmed that 100% of the Heads of Service BCEs were approved, with none being recorded as rejected.</p> <p><u>Risk</u></p> <p><i>Inability to demonstrate best value. Potentially fraudulent or corrupt procurement practices.</i></p>		
--	---	--	--

Ref	Findings & Risk	Agreed Action	Importance Level
3.4	<p><u>Review of Responsible Officer for Procurement BCEs (£5,000-£49,999)</u></p> <p>A sample of 15 BCEs submitted during 2016/17 were reviewed to determine the effectiveness of the internal controls in place for the Responsible Officer for Procurement BCE process.</p> <p>A summary of the audit findings is detailed in Appendix C and the key internal control weaknesses identified are noted below:</p> <ul style="list-style-type: none"> effective controls are not in place to ensure BCE forms are fully completed and properly authorised. Sample audit testing found one occasion where the BCE was approved with no contract period recorded on the BCE form and one occasion where the BCE was authorised by the Procurement Manager and not the Responsible Officer for Procurement. effective controls are not in place regarding the duplicate use of BCEs. Sample audit testing found one occasion where a BCE request was rejected by the Responsible Officer for Procurement. However the service raised an order with the preferred supplier using an approved BCE from a previous year. This order was approved and fully processed in PECOS. effective controls are not in place to ensure that BCEs submitted as 'one off' are accurate as there is no record of checks carried out to confirm whether or not the goods/works/services have been procured previously. Sample audit testing found five instances of suppliers being used on numerous occasions (this year and previous years). Review of the volume of BCEs over the past three years also confirmed 43 suppliers who have been used three times or more. Without effective controls or checks in place there is potential that goods/works/services are not 'one off' and have been procured previously from the same supplier. 	<ol style="list-style-type: none"> Register of BCEs records all approvals by Heads of Service Register to be reviewed prior to any BCE spend being authorised. BCE form to be amended to require Head of Service to confirm that appropriate steps have been taken to ensure that it is appropriate to authorise the BCE. If recurring, Service to note this on the BCE form, to provide additional comment on why it is deemed appropriate to authorise the further BCE and whether any measures are to be taken to avoid further BCE in future. BCE over £5,000 - Corporate Procurement Unit to carry out check aggregated value, current contracts, previous supplier spend, claims of unique suppliers and retro ordering. prior to submitting form to Head of Corporate Services. Head of Corporate Services BCE form amended to include comment from Corporate Procurement Unit where the spend is recurring. Review of BCEs authorised in the quarter included as a standing item on agenda for Procurement Board. A review of spend has already been carried out with the six suppliers highlighted as having aggregated spend above £49,999 in 2016/17. This has confirmed that the BCE threshold was not breached for four of the suppliers. Further assessment is ongoing for the other two suppliers. 	High
			Responsible Officer
			Julie Whitelaw (Head of Corporate Services)
			Risk Identifier
			CPU003 / WLC022 / WLC020
			Action Date
			<ol style="list-style-type: none"> 30/09/2017 30/09/2017 completed completed completed

	<ul style="list-style-type: none"> • effective controls are not in place to ensure compliance with the procurement procedures rules for aggregated spend (Appendix D) prior to the BCE being authorised. Sample audit testing found six instances of aggregated spend with a BCE supplier in 2016/17 greater than £49,999 and nine instances of aggregated spend over the previous 48 months greater than £49,999. It is acknowledged that spend with the same supplier does not always indicate aggregated spend for the same goods/works/services. However, without effective controls or checks in place there is potential that aggregated spend for the same goods/works/services could occur and would breach the BCE threshold. • after BCE approval, effective controls are not in place to ensure that the actual spend with the BCE supplier for the specific goods/works/services does not exceed the approved aggregated purchase value recorded on the BCE. Without effective controls or checks in place there is potential that unauthorised spend could occur and remain unnoticed. • a process is not in place to formally record any compliance checks carried out by CPU before passing the BCE form for approval to the Responsible Officer for Procurement. <p><u>Risk</u></p> <p><i>Inability to demonstrate best value. Potentially fraudulent or corrupt procurement practices.</i></p>		
--	---	--	--

Ref	Findings & Risk	Agreed Action	Importance Level
3.5	<p><u>BCEs Procedures and Templates</u></p> <p>The results of audit testing summarised in Appendices B and C show that there are a significant number of errors in the processes for the completion and administration of BCEs across the council.</p> <p>Upon the update of the BCE procedures and templates it should be ensured that these are communicated to all services in the council.</p> <p><u>Risk</u> <i>Failure to consistently apply and comply with procedures.</i></p>	Revised procedures for recording of reasons for recurring spend to be communicated to all services and posted on Corporate Procurement Unit intranet page.	Low
			Responsible Officer
			David Brown
			Risk Identifier
			CPU003
			Action Date
			30/09/207

Summary Review of Volume of BCEs**Approved by Heads of Service - £1,000 to £4,999**

Service Area	2014/15	%	2015/16	%	2016/17	%	Total	%
Education	15	22%	57	39%	21	27%	93	32%
Social Policy	17	25%	16	11%	30	38%	63	21%
Operational Services	8	12%	27	18%	17	22%	52	18%
Housing, Customer and Building Services*	20	29%	16	11%	1	1%	37	13%
Planning & Economic Development	5	7%	19	13%	8	10%	32	11%
Finance and Property Services	3	4%	5	3%	1	1%	9	3%
Area Services**	0	0%	4	3%	0	0%	4	1%
Corporate Services	1	1%	2	1%	0	0%	3	1%
Property Management and Development	0	0%	1	1%	0	0%	1	0%
	69	100%	147	100%	78	100%	294	100%

* this includes Construction Services until 2016/17 when they moved to F&PS

Approved by Responsible Officer for Procurement - £5,000 to £49,999

Service Area	2014/15	%	2015/16	%	2016/17	%	Total	%
Social Policy ***	141	29%	15	13%	15	14%	171	24%
Education	88	18%	29	26%	35	32%	152	21%
Housing, Customer and Building Services*	52	11%	9	8%	17	15%	78	11%
Operational Services	53	11%	15	13%	9	8%	77	11%
Planning & Economic Development	65	13%	16	14%	4	4%	85	12%
Finance and Property Services	17	3%	16	14%	20	18%	53	7%
Corporate Services	28	6%	11	10%	10	9%	49	7%
Area Services**	48	10%	1	1%	0	0%	49	7%
	492	100%	112	100%	110	100%	714	100%

* this includes Construction Services until 2016/17 when they moved to F&PS

** removed from Structure as from 2016/17

*** Social Policy figures include BCEs for Self-Directed Support which are no longer required for SDS Option 2 from 22 March 2017.

APPENDIX B

Audit Testing – BCEs £1,000 to £4,999 in 2016/17 **(Approved by the Heads of Service)**

	Findings	No. of Occasions
1	BCEs were approved with no contract period recorded on BCE form.	7
2	BCEs approved with no contract period stated and spend stated as ongoing.	3
3	BCE submitted for an existing contracted supplier and therefore uncertainty as to why BCE was actually required (also spend with supplier much greater than CCMS value)	3
4	BCE either not signed or electronic/typed.	2
5	The BCE was authorised by a Head Teacher and not the relevant Head of Service. BCE attached to PECOS order but not recorded in HoS BCE Register, therefore would appear to have fallen out with the normal BCE recording process.	1
6	Orders continue to be raised with supplier after contract has expired with no BCE attached to order. Supplier still active on PECOS.	1
7	BCE states “One Off” however the supplier has been used on numerous occasions (this year and previous years). The BCE forms did not include reference to the previous spend and no checks are carried out to confirm whether or not the goods/works/services have been procured previously.	8
8	The aggregated value of spend with the BCE supplier in 2016/17 was greater than £4,999. Monitoring of BCE spend is not currently in place therefore there is potential that unauthorised spend could occur and remain unnoticed.	10
9	The aggregated value of spend with the BCE supplier in 2016/17 was greater than £49,999. Monitoring of BCE spend is not currently in place therefore there is potential that unauthorised spend could occur and remain unnoticed.	1
10	The aggregated value of spend with the BCE supplier over the previous 48 months was greater than £4,999. No evidence of checks carried out to ensure compliance with the procurement procedures rules for aggregated spend prior to the BCE being authorised therefore there is potential that aggregated spend could breach the BCE threshold.	13
11	The aggregated value of spend with the BCE supplier over the previous 48 months was greater than £49,999. No evidence of checks carried out to ensure compliance with the procurement procedures rules for aggregated spend prior to the BCE being authorised therefore there is potential that aggregated spend could breach the BCE threshold.	3

APPENDIX C

Audit Testing – BCEs £5,000 to £49,999 in 2016/17 **(Approved by the Responsible Officer for Procurement)**

	Findings	No. of Occasions
1	Out of date BCE forms used therefore missing data (e.g. ongoing or one off).	1
2	BCE approved with no contract period recorded on BCE form.	1
3	BCE not signed by Corporate Procurement Manager.	1
4	BCE not authorised by the Responsible Officer for Procurement. Only signed by the Procurement Manager.	1
5	Exemption was rejected however the service raised an order with the preferred supplier with a BCE from a previous year. This order was approved and fully processed.	1
6	Contract already in place for suppliers, and therefore uncertainty as to why a BCE was actually required.	1
7	BCEs being recorded with duplicate references.	4
8	Exemption register entries for the BCEs has missing information	5
9	BCEs submitted and approved and no evidence of them ever being used	3
10	BCE states “One Off” however the supplier has been used on numerous occasions (this year and previous years). The BCE forms did not include reference to the previous spend and no evidence of checks carried out to confirm whether or not the goods/works/services have been procured previously.	5
11	Value of spend with supplier in 2016/17 is greater than £49,999. Monitoring of BCE spend is not currently in place therefore there is potential that unauthorised spend could occur and remain unnoticed.	6
12	The aggregated value of spend with the BCE supplier over the previous 48 months was greater than £49,999. No evidence of checks carried out to ensure compliance with the procurement procedures rules for aggregated spend prior to the BCE being authorised therefore there is potential that aggregated spend could breach the BCE threshold.	8

Aggregate Purchase Value
(Extract from Procurement Procedures)

4.2 **Estimated Aggregate Purchase Value**

- 4.2.1 For the avoidance of doubt, any reference in these Procurement Procedures to the value of any contract shall mean its estimated aggregate purchase value (total estimated value), excluding VAT, over the entire term of the contract and use across the whole council, including all options, permitted extensions and variations.
- 4.2.2 Where a contract does not include an aggregate purchase value, the estimated aggregate purchase value will be the amount of the consideration payable each month multiplied by 48.

4.3 **Rules for Contract Aggregation**

- 4.3.1 It is not permitted to deliberately divide any procurement into two or more contracts (during the same time period or at separate intervals) if the intention in doing so is to avoid the application of any financial thresholds stipulated within Standing Orders or within the EU Procurement Rules.
- 4.3.2 Rules for aggregation must be applied to all contracts. The estimated aggregate purchase value of any single requirement for supplies, services or works across the whole council over the full contract term (including any periods of extension to be incorporated into the contract) must be taken into account to determine if it exceeds the applicable threshold. If so, even if the procurement of any such requirement is split among a number of contracts which taken individually are below the applicable threshold value, each of these contracts is subject to the requirements of Standing Orders and where applicable, the EU Regulations in the same way as if the requirement were procured through a single large contract.

DEFINITIONS OF AUDIT FINDINGS & AUDIT OPINION

AUDIT IMPORTANCE LEVELS

Importance levels of '**High**', '**Medium**' or '**Low**' are allocated to each audit finding within the action plan.

These reflect the importance of audit findings to an effective system of internal control and must be considered in the context of the business processes being audited (Section 2 – Audit Remit).

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

INTERNAL AUDIT OF THE OBJECTIVE CONTENT MANAGEMENT SYSTEM

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 Objective content management system.

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

In accordance with the annual audit plan for 2017/18, we have undertaken an audit of the Objective content management system. The audit remit was to conduct a high level review of the effectiveness of the project management arrangements and the key activities that contribute towards the successful delivery of the project. 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 implementation of the Objective content management system has concluded that the level of control requires improvement.

F. BACKGROUND REFERENCES

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

Appendices/Attachments: Internal audit report dated 7 September 2017: Objective Content Management System

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

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 25 September 2017



CW1705

INTERNAL AUDIT REPORT

OBJECTIVE - CONTENT MANAGEMENT SYSTEM

7 September 2017



westlothian.gov.uk

CONTENTS

No.	Section	Page
1.	Executive Summary	1 – 2
2.	Remit	3
3.	Action Plan	4 – 7
	<u>Appendix A</u> – Definitions of Audit Findings & Audit Opinion	8

1.0 EXECUTIVE SUMMARY

- 1.1 In accordance with the annual audit plan for 2017/18, we have undertaken a review of the implementation of the Objective Content Management System, which will replace the Meridio system across the Council, and conclude that the level of control over this process **requires improvement**.
- 1.2 This report is based on an initial review of the project documentation held in Meridio, the San Server and Objective Connect (a shared storage platform for the council and Objective, the software supplier, which is accessed by the Project Manager and officers in IT only). This was initially intended to form the background research for the audit however as a result of this initial review it was decided that an audit report should be prepared to highlight the issues arising.
- 1.3 The audit remit is set out in section two.
- 1.4 The project to replace Meridio was formally started in 2015 and has since progressed through the procurement process to implementation, with the current go-live date scheduled for the 6 November 2017.
- 1.5 The project is currently on its sixth Project Manager, albeit the current Project Manager Carolyn Mitchell was also the first Project Manager, whose contract with the council ended prior to the procurement stage. There have been four other Project Managers in the interim and Carolyn Mitchell was reappointed on 10 June 2017.
- 1.6 A meeting was held with the Project Manager on 22 June to discuss the audit objectives and the progress of the project to date, and the draft report was issued on 29 June.
- 1.7 The following key controls were found to be in place:
 - a project board is in place which meets on a monthly basis and has senior representation from across the council. The Project Executive is the Head of Corporate Services. A “key decisions and actions” note is prepared after each project board meeting and high and very high risks and issues are also reported;
 - there is a detailed project plan which is stored on Objective Connect. We were advised that this is reviewed and updated by the West Lothian Council and Objective Project Managers;
 - there is a Risks, Actions, Issues and Decisions (RAID) log which is also stored in Objective Connect. A review of the log found recent entries present in respect of risks and actions, however it is not possible to determine whether this includes all risks and actions relevant to the project;
 - we have been advised that back-ups of data in Objective will be undertaken several times a day and the testing of the recovery of the back-up will take place prior to go-live;
 - plans are in place for all council staff to be trained over July and August 2017 and there are ‘handy’ and other training guides which can be used to support staff. It is also intended that FAQs will be prepared as a result of staff training;
- 1.8 From a review of the project documentation, discussion with the Project Manager, and attendance at one project team meeting, the following project management issues have been identified:

- there is no clear organisation of project documentation in Meridio, the San Server and Objective Connect, with different documentation being kept in each of these locations (finding 3.1);
- there is little evidence of any weekly project team meeting documentation, including action notes and the subsequent review and update of action notes. Upon enquiry we were advised that up until recently project team meetings were held by way of “workshops” with members of the team responsible for taking their own notes (finding 3.2);
- although there is a project plan and RAID log in place, and evidence that these are reviewed and updated, there is no evidence of them being shared with or reviewed by the project team (finding 3.2);
- data migration and technical testing has been progressing in conjunction with Objective, the software supplier, however the project test plan, covering areas such as the file plan, security and user acceptance testing has only just been prepared in draft and has not yet been agreed with Objective. The initial consultation with services on testing took place on 27 June and there are not yet any detailed test scripts in place. From a review of the project plan it would appear that the timescales for testing are already behind schedule and may be difficult to achieve (finding 3.3);
- disaster recovery arrangements will not be fully tested until after the go live date. We were advised that Objective will reside on the Council network and therefore disaster recovery testing will need to be aligned to disaster recovery testing of the network (finding 3.3);
- the system administrator post has not yet been filled, and therefore a key post remains vacant at a critical time in the life of the project (finding 3.3);
- it is noted that the council’s Records Manager is not a member of the project team. We were advised that assurance in respect of ongoing compliance, for example, with the Public Records Scotland Act, is being achieved through the Information Security Manager’s presence on the project board (finding 3.4).

- 1.9 With reference to the further delay to go-live which is now 6 November 2017 (delayed from 14 August and 4 September), there are still a significant number of activities which have still to be progressed and decisions to be made, including securing resources from services to assist with these activities.
- 1.10 The action plan in section three details our findings, grades their importance (Appendix A) and includes agreed actions. The implementation of agreed actions will help improve control.
- 1.11 We appreciate the assistance of relevant 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 conduct a high level review of the effectiveness of the project management arrangements and the key activities that contribute towards the successful delivery of the project.
- 2.2 Our review concentrated on the key controls and detailed testing has not been undertaken. The weaknesses we have identified are not necessarily all those which exist.
- 2.3 We agreed the draft report for factual accuracy with Carolyn Mitchell, Project Manger on 11 August 2017.
- 2.4 The Head of Corporate Services, who is Project Executive, is 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

Ref	Findings & Risk	Agreed Action	Importance Level
3.1	<p><u>Project Management – Organisation of Project Documentation</u></p> <p>There is no clear organisation of project documentation across Meridio, the San server, and Objective Connect which may make it difficult keep track of or easily locate the most up to date versions of key documents. It would be beneficial if there was a single point of storage for project documentation or an index showing what documentation can be found where.</p> <p><u>Risk</u></p> <p><i>Failure to comply with council records management procedures regarding the storage of documentation in Meridio, and issues with the location of documentation as it may be stored in several places, which may inhibit effective project management.</i></p>	<p>Initially utilising the San server was due to the fact that commercially sensitive information was being stored on Meridio which Kainos, as the supplier, could access.</p> <p>Connect is used as a repository for information that WLC and Objective can both access and utilise. Objective cannot access Meridio/San server. There is a full audit trail of changes available via the Connect share.</p> <p>It is accepted that a more structured approach could have been taken for the storage to project documentation, however as the project is now nearing completion the current arrangements will continue as making changes at this stage may lead to greater confusion.</p> <p>Once the project is complete the information stored on the San server will be moved to Objective.</p>	Medium
			Responsible Officer
			Objective Project Manager
			Project Risk Register
			N/a
			Action Date
			30 November 2017

Ref	Findings & Risk	Agreed Action	Importance Level
3.2	<p><u>Project Management – Project Team Meetings</u></p> <p>To date, there has been no process in place for recording the actions or decisions arising from project team meetings and therefore no way for these to be reviewed or monitored for completion, or any issues arising. We were advised that team meeting were being held by way of “workshops” and attendees were each required to take their own notes.</p> <p>It was also noted that neither the project plan nor the RAID log is shared with project team members or reviewed at project team meetings.</p> <p><u>Risks</u></p> <p><i>Lack of evidence of, and audit trail over, project management activities resulting failure to record key information, effectively monitor progress and ultimately achieve the required project objectives and go-live date.</i></p> <p><i>Lack of project team input into key project documentation which may result in the failure to adequately capture important risks, dependencies, issues or decisions.</i></p>	<p>This is now in place as team actions and decisions are recorded. Any outstanding actions are carried forward to subsequent meetings until they are addressed.</p> <p>Risks and issues are a standing item and the RAID log is available and was reviewed at the team meeting on 25 July, and will continue to be reviewed going forward.</p> <p>The project plan is available on Connect share for anyone who has access. However it is acknowledged that project team members do not have access to Connect share and going forward the plan will be shared and discussed at project team meetings.</p>	High
			Responsible Officer
			Objective Project Manager
			Project Risk Register
			Refs: R-040 and R-041
			Action Date
			Complete

Ref	Findings & Risk	Agreed Action	Importance Level
3.3	<p><u>Objective Key Activities and Decisions</u></p> <p>At the time of writing, and with just over two months until the revised go-live date which includes the summer holiday period, there are a number of key activities and decisions which have still to be finalised:</p> <ul style="list-style-type: none"> the test plan and scripts have still to be completed and agreed with Objective, the software supplier, and resources have to be secured from services to complete testing; there are no plans in place for the testing of disaster recovery for Objective prior to go live; an appointment has not yet been made to the post of system administrator. <p><u>Risks</u></p> <p><i>Insufficient time allowed for the completion of key activities and therefore failure to achieve the go-live date.</i></p> <p><i>Inability to recover the new system in the event of an incident which affects the council's I.T. infrastructure.</i></p>	<p>The Project Board has now approved additional data and delta test migrations which will further delay the go-live date. The exact date has still to be formally approved.</p> <p>1. Test lead started at WLC on 19th June. Test plan has been developed and schedule is being confirmed to match new project plan. Scripts are partially complete. Some testing has already been undertaken.</p> <p>2. Options for disaster recovery testing have been discussed with the IT Infrastructure Manager and a work package issued in IT for the DR arrangements to be documented and tested.</p> <p>3. The system administrator (ECM Development Officer) post was filled at the end of August 2017.</p>	High
			Responsible Officer
			Objective Project Manager / Head of Corporate Services
			Project Risk Register
			Refs: R-042 and R-043
			Action Date
			1. Ongoing
			2. 31 Oct 2017
			3. Complete

Ref	Findings & Risk	Agreed Action	Importance Level
3.4	<p><u>Objective – Records Management / Legislation Compliance</u></p> <p>It was noted that the council's Records Manger is not a member of the project team for the council's new Content Management System. We were advised that assurance in respect of ongoing compliance, for example, with the Public Records Scotland Act is achieved through the council Information Security Manager's presence on the Project Board.</p> <p>However there is no evidence of any review, evaluation or feedback being provided as to whether the system as implemented will be able to demonstrate an appropriate level of compliance e.g. there would appear to be no requirement to apply the Scottish Council on Archives Records Retention Schedule in Objective, although these have been officially adopted by the council in the past.</p> <p><u>Risk</u></p> <p><i>Failure to ensure ongoing compliance with relevant legislation in relation to records management.</i></p>	<p>Additional mitigation includes that the Project Executive is the Head of Corporate Services and the IT Manager has the Project Assurance role on the project board. Both are members of the Information Management Working Group (IMWG).</p> <p>The system is being configured with a baseline set of consolidated disposal dates that trigger a notification that items are due for review. This is an improvement over Meridio.</p> <p>It is intended that the disposal groupings should be reviewed to assess their usefulness post go-live. The ECM Development Officer needs to work with the council on this and there is the potential for them to be revised if it is deemed that a better fit with SCARRS is required.</p>	Medium
			Responsible Officer
			Head of Corporate Services
			Project Risk Register
			Ref: R-010
			Action Date
			31 March 2018

DEFINITIONS OF AUDIT FINDINGS & AUDIT OPINION

AUDIT IMPORTANCE LEVELS

Importance levels of '**High**', '**Medium**' or '**Low**' are allocated to each audit finding within the action plan.

They reflect the importance of the audit findings to an effective system of internal control and must be considered in the context of the business process being audited (Section 2 – Audit Remit).

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

INTERNAL AUDIT OF THE SYSTEM OF INTERNAL CONTROL

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 system of internal control.

B. RECOMMENDATION

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

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 Local Authority Accounts (Scotland) Regulations 2014 require that the council must conduct a review at least once in its financial year of the effectiveness of its system of internal control.
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 internal audit plan for 2017/18, a high level review has been undertaken of the council's key policies and procedures, including a review of previous internal audit work on these areas, and a review of the draft 2016/17 annual governance statements. The resultant audit report is attached as an appendix and contains agreed management action as set out in the action plan.

In accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS), I am required to deliver an annual opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control. My opinion will be included in my 2017/18 annual report which will be reported to this Committee in June 2018. My opinion will have regard to the findings in the attached internal audit report and the findings of the other internal audit and counter fraud work undertaken during the year.

E. CONCLUSION

Our review of the system of internal control has concluded that the level of control is the satisfactory.

F. BACKGROUND REFERENCES

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

Appendices/Attachments: Internal audit report dated 13 September 2017: System of Internal Control.

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

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 25 September 2017



CW1701

INTERNAL AUDIT REPORT

COUNCIL WIDE

SYSTEM OF INTERNAL CONTROL

13 September 2017



westlothian.gov.uk

CONTENTS

No.	Section	Page
1.	Executive Summary	1
2.	Remit	2
3.	Action Plan	3 - 5
Appendix A	Definitions of Audit Findings & Audit Opinion	6
Appendix B	Strategy Documents due for Review	7

1.0 EXECUTIVE SUMMARY

- 1.1 In accordance with the annual audit plan for 2017/18, we have undertaken a review of the system of internal control within the Council, and conclude that the level of control is **satisfactory**.
- 1.2 The audit remit is set out in section two.
- 1.3 The Local Authority Accounts (Scotland) Regulations 2014, which came into force on 10 October 2014, introduced a requirement under Part 2 Section 5 of the regulations that the local authority must conduct a review at least once in each financial year of the effectiveness of its system of internal control. The findings from this report, together with the risk based audit work undertaken during 2017/18, will form the basis of the Audit, Risk and Counter Fraud Manager's conclusion in his annual report on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
- 1.4 The following key controls were found to be in place:
- Standing Orders regulating how the council conducts its business;
 - policy statements at both corporate and individual service levels, covering policy on key aspects of how the council manages its business and the risks it faces;
 - strategy documents covering the main areas of activity of the council;
 - plans for the effective implementation of policy / strategy across the council.
- 1.5 None of our findings have been ranked as being of 'high' importance. However, the following findings were ranked as being of 'medium' importance:
- a review is required of the corporate Health & Safety Policy and the Corporate Services Supplementary Policy. A more general review is also required to reflect the realignment of Area Services areas of responsibility (ref: 3.1);
 - a review of the Council's Standing Orders for CHCP Procurement Procedures has been underway for some time, and should have been completed during the last administrative term (ref: 3.2);
 - a general review of the Council's Standing Orders is required to correctly reflect the corporate structure following redistribution of the functions previously undertaken by Area Services (ref: 3.3).
- 1.6 It was noted that the eleven areas tested all have a current strategy document in place. However, seven of these fall due for review during 2017/18 and action will be required to ensure they are updated timeously (ref: App. B).
- 1.7 The action plan in section three details our findings, grades their importance (Appendix A) and includes agreed actions. The implementation of agreed actions will help improve control.
- 1.8 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 objectives were to review the system of internal control in accordance with the requirement introduced by the Local Authority Accounts (Scotland) Regulations 2014.

2.2 Our review concentrated on the key controls, and was limited to:

- ensuring Standing Orders are in place, supported by policies, strategies and plans;
- considering the currency of the above;
- review of audit work previously undertaken;
- reviewing the adequacy of corporate governance compliance statements.

In the case of the corporate governance compliance statements, our review covered the draft statements submitted to the Governance and Risk Board on 5 June 2017.

2.3 Due to the limitations noted above, the weaknesses we have identified are not necessarily all those which exist.

2.4 We agreed the draft report for factual accuracy with the officers named in the action plan included in section three and the Head of Corporate Services.

2.5 The Head of Corporate Services is 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.

3.0 ACTION PLAN

Ref	Findings & Risk	Agreed Action	Importance Level
3.1	<p><u>Health & Safety Policies (Corporate & Supplementary)</u></p> <p>Policies are in place at both corporate and supplementary (individual service) levels. However, consideration should be given to whether reviews are now required as follows:</p> <ul style="list-style-type: none"> The council Occupational Health & Safety Policy, and summary documents, were last revised January 2013; Corporate Services supplementary health and safety policy was last reviewed May 2013; A general review is required following realignment of Area Services' areas of responsibility. <p>Risk</p> <p>Policies become outdated and fail to meet current / best practice; Policies do not reflect current council structure.</p>	<p>Revised Corporate Occupational Health and Safety Policy considered at HR Programme Board on 5 September.</p> <p>Revised Policy to be approved by Council Executive.</p> <p>Corporate Services Health and Safety Plan reviewed and revised as appropriate.</p>	Medium
			Responsible Officer
			Kim Hardie
			Risk Identifier
			Risk Ref: COR005
			Action Date
			31/10/2017

Ref	Findings & Risk	Agreed Action	Importance Level
3.2	<p><u>Standing Orders - CHCP Procurement Procedures</u></p> <p>The published procedures in place on 9 May 2017 show a Council Executive approval date of 24 April 2012. This falls outwith the requirement to review once per administrative term.</p> <p>Risk</p> <p>Procedures become outdated and may not reflect up to date legislation, regulation or current practice.</p>	<p>Standing Orders and Procedures are both in course of end-to-end review and update.</p> <p>The full drafts are expected to be finalised and presented for approval during December 2017.</p>	Medium
			Responsible Officer
			James Millar
			Risk Identifier
			Risk Ref:SP007
			Action Date
			31/12/2017

Ref	Findings & Risk	Suggested/Agreed Action	Importance Level
3.3	<p><u>General Review of Standing Orders</u></p> <p>The council's Standing Orders have not been revised to correctly reflect the corporate structure following redistribution of responsibilities previously handled by Area Services. A high level review of the Scheme of Delegations disclosed numerous references to Area Services, while other services' delegations have not been updated to reflect their new responsibilities, or been re-titled, e.g. <i>'Finance & Estates'</i> should now be styled <i>'Finance & Property Services'</i>. The last noted review of the Scheme of Delegations was in October 2014.</p> <p>Risk</p> <p>Standing Orders do not reflect the current corporate structure, resulting in a lack of clarity over responsibilities and delegations, and potential delays in decision making.</p>	Updated and published to include all changes to 30 June 2017.	Medium
			Responsible Officer
			James Millar
			Risk Identifier
			Risk Ref: WLC022
			Action Date
			Completed

DEFINITIONS OF AUDIT FINDINGS & AUDIT OPINION

AUDIT IMPORTANCE LEVELS

Importance levels of '**High**', '**Medium**' or '**Low**' are allocated to each audit finding within the action plan.

These reflect the importance of audit findings to an effective system of internal control and must be considered in the context of the business processes being audited (Section 2 – Audit Remit).

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.

Strategy Documents Due For Review
During 2017/18

Strategy	Ends	Review Due	NOTES
Financial	2017	N/A	Annual budget setting process
Asset Management	2018	Not Yet Due	Current document covers 2013/14 to 2017/18
Climate Change	2020	Not Yet Due	Current document covers period 2015 to 2020
ICT	2017	Current Year	Current document covers period 2015 to 2017
Information	2017	Current Year	Current document covers period 2013 to 2017
Corporate Procurement	2018	Not Yet Due	Current document covers period 2013 to 2018
Audit, Risk and Counter Fraud	2017	Current Year	Current document covers period 2015 to 2017
Customer Service	2017	Current Year	Current document covers period 2015 to 2017
Improvement	2017	Current Year	Current document covers period 2014 to 2017
People	2017	Current Year	Current document covers period 2013 to 2017
Attainment	2017	Current Year	Current document covers period 2015 to 2017



West Lothian
Council

AUDIT COMMITTEE

INTERNAL AUDIT OF THE FINANCIAL STRATEGY

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 delivery of a financial strategy and balanced budget.

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)	The Council must approve a balanced budget before 11 March each year to comply with statutory obligations.
III Implications for Scheme of Delegations to Officers	None.
IV Impact on performance and performance Indicators	A robust financial plan is fundamental to effective 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 internal audit plan for 2017/18, an audit has been undertaken of the delivery of a financial strategy and balanced budget. The resultant audit report is attached as an appendix and the Committee should note that there were no audit findings, and therefore no requirement for an action plan.

E. CONCLUSION

Our review of the processes to deliver a financial strategy and balanced budget has concluded that the level of control is effective.

F. BACKGROUND REFERENCES

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

Appendices/Attachments: Internal audit report: Financial Strategy and Balanced Budget Delivery dated 4 September 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: 25 September 2017



MEMORANDUM

Finance & Property Services Audit, Risk and Counter Fraud

TO : Donald Forrest, Head of Finance and Property Services

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

REF. NO. : FE1701/GJ

DATE : 4 September 2017

Internal Audit of Financial Strategy and Balanced Budget Delivery Corporate Risk References: WLC012/WLC023

1.0 INTRODUCTION

- 1.1 In accordance with the annual audit plan for 2017/18, we have undertaken a review of corporate risks WLC012 and WLC023 - "Delivery of Financial Strategy and Balanced Budget" and conclude that the level of control is **effective**. We note that financial planning for the period 2018/19 to 2022/23 is currently in progress (see paragraphs 2.4 to 2.6).
- 1.2 Risk WLC012 covers financial strategy and balanced budget delivery for the period 2015/16 to 2017/18. The risk level is currently assessed as **low**.
- 1.3 Risk WLC023 covers financial strategy and balanced budget delivery for the period 2018/19 to 2022/23. The risk level is currently assessed as **high**.
- 1.4 Our review concentrated on key controls recorded in the risk assessments, and our testing was undertaken on a sample basis. Therefore, the weaknesses we have identified are not necessarily all those which exist.
- 1.5 We agreed the draft audit memorandum for factual accuracy with David Maule, Corporate Programme Manager and Patrick Welsh, Acting Corporate Finance Manager on 22 August 2017.

2.0 AUDIT FINDINGS

- 2.1 The 2017/18 revenue budget report presented to the council on 20 February 2017 noted that the council faced a projected funding gap before budget reduction measures of £12.862mn.
- 2.2 Net expenditure on the council's General Fund Services in 2016/17 was £432.328mn.

2.3 The following key findings and controls were identified:

- The council's approach to medium term financial planning, and the preparation of medium term financial plans, was considered by the Partnership and Resources PDSP and approved by the council in January 2013.
- The council's Financial Regulations incorporate its agreed approach to medium term financial planning. They require that medium term revenue and capital plans are integrated with each other and with the corporate plan, and are based on the delivery of the council's agreed priorities.
- The council agreed at its meeting on 20 February 2017 to continue to adopt an integrated and priority based approach to financial and corporate planning for the period 2018/19 to 2022/23.
- Current council priorities were established from feedback from the Delivering Better Outcomes (DBO) public consultation process held in Autumn 2012. The agreed priorities were used to inform the preparation the 2013/17 corporate plan, a two year revenue budget plan and a five year capital plan, which were approved by council on 29 January 2013.
- A further revenue budget plan for the three years ended 2017/18 was approved by the council on 29 January 2015. This was also based on the delivery of the council's agreed priorities, and incorporated budget reduction measures intended to meet the three-year revenue funding gap projected at that time.
- The revenue budget plan for years 2016/17 and 2017/18 was updated as part of the annual revenue budget reports presented to council on 23 February 2016 and 20 February 2017. These updates included a review of all funding and expenditure assumptions, calculation of the updated funding gap position, and identification of current risks and uncertainties associated with the delivery of balanced revenue budgets.
- Annual activity budget information for each council service shows the links between planned activities, the budget resources required to deliver each activity, and the agreed council priority each activity contributes to.
- Ongoing monitoring and update of council's financial plans is carried out through a range of actions including the review of the Chancellor's budget and Autumn statements, review of local government finance settlement announcements, and horizon scans carried out four times a year on changes in economic factors which affect financial planning assumptions.
- Risks WLC012 and WLC023 are monitored at the Finance and Property Service Management Team meeting, and their status updated on a monthly basis.
- The council has detailed budgetary control frameworks, procedures, and timetables which set out the responsibilities, timescales, and risk based approach to revenue and capital budget monitoring.
- Full revenue and capital budget monitoring reports are presented to Corporate Management Team (CMT) and Council Executive for months 4, 6 and 9.
- Outwith months 4, 6 and 9 revenue and capital budget monitoring focusses on identified budget risk areas and are monitored through monthly update and review of budget risk schedules.
- A monthly report on material revenue budget risks and pressures is presented to CMT. Updated monthly capital budget risk schedules are provided to the Capital and Asset Management Board.
- Final revenue and capital budget outturn reports are presented to CMT and Council Executive following the end of each financial year.

- Monitoring reports on the status of agreed revenue budget reduction measures are presented to the Pre-meeting for Administration Briefing monthly (summary report) and quarterly (detailed report).
 - In-year monitoring of the status of agreed revenue budget reduction measures is reported to Council Executive as part of month 4, 6, and 9 revenue budget monitoring reports.
 - Revenue budget reduction measures achieved for 2016/17 were £12.498 million against planned revenue budget reductions of £12.529million.
 - The adequacy of the uncommitted general fund reserve carried forward to the next financial year is reviewed and concluded upon in the annual revenue budget report presented to council.
- 2.4 A report on revenue budget planning for the period 2018/19 to 2022/23 was presented to Council Executive on 20 June 2017. The report noted a projected revenue budget shortfall for the period 2018/19 to 2022/23 of £65.7mn, a figure calculated through detailed revenue budget modelling by the Financial Management Unit.
- 2.5 The Council Executive agreed at its meeting on 20 June 2017 that proposals for a further public consultation on council priorities, spending plans, and savings options should be reported to Council Executive in late summer/early autumn 2017 for approval.
- 2.6 The Council Executive also agreed that following completion of the next public consultation, officers will present revenue, capital, treasury management and corporate plans for the period 2018/19 to 2022/23 to council for approval by mid-February 2018.
- 2.7 No findings have arisen from our audit review.

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

DEFINITIONS OF AUDIT FINDINGS & AUDIT OPINION**AUDIT IMPORTANCE LEVELS**

Importance levels of '**High**', '**Medium**' or '**Low**' are allocated to each audit finding within the action plan.

These reflect the importance of audit findings to an effective system of internal control and must be considered in the context of the business processes being audited (paragraph 1.1).

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

SCOTTISH LOCAL AUTHORITIES CHIEF INTERNAL AUDITORS' GROUP (SLACIAG) ANNUAL REPORT

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of the Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG) annual report for 2016.

B. RECOMMENDATION

It is recommended that the Audit Committee notes that SLACIAG continues to act as an effective forum for the dissemination of best practice for internal audit in local government.

C. SUMMARY OF IMPLICATIONS

I Council Values	Being honest, open and accountable, making best use of our resources, working in partnership.
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	Dissemination of best practice will impact positively on internal audit 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

The Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG) exists to promote best practice in internal audit in local government and acts as a networking forum for members. Membership comprises the heads of internal audit in Scottish local government and Strathclyde Partnership for Transport. The attached annual report sets out in more detail our activities and objectives.

The Group met four times during 2016. The September 2016 meeting was a joint meeting on health and social care integration, with our counterparts on the health side. During 2017 local meetings have continued between the internal auditors for the NHS Lothian Integration Joint Boards and the head of internal audit for NHS Lothian.

The Group maintains a computer audit sub group, and in addition the Scottish Local Authority Investigators Group (SLAIG), which was previously a stand-alone group, is now a permanent sub group. SLAIG exists to promote the practice of fraud prevention, detection and investigation in local government, and during the year the group received a presentation on procurement fraud from our own counter fraud team.

E. CONCLUSION

SLACIAG acts as an effective forum for the dissemination of best practice within internal audit in local government.

F. BACKGROUND REFERENCES

None.

Appendices/Attachments: SLACIAG annual report 2016

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

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 25 September 2017



SCOTTISH LOCAL AUTHORITIES

Chief Internal Auditors' Group

ANNUAL REPORT FROM THE CHAIR – 2016

1. INTRODUCTION

- 1.1 Membership of the Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG) is made up of the Heads of Internal Audit from each Scottish Local Authority and Strathclyde Partnership for Transport. The Group is a Special Interest Group of CIPFA Scotland, with operational arrangements, vision, and objectives set out in a formal Constitution.
- 1.2 The Group's vision is to be the voice of Internal Audit across Scottish Local Authorities and a driving force for best practice in respect of local authority internal audit, governance, and operations. In support of that vision the Group has the following objectives:
- To secure a quality and responsive service for members of the group ;
 - To develop the influence of the group with key decision makers and institutions in Scotland, as the key representative body for internal audit in local government with a particular emphasis on governance, risk, control and assurance matters;
 - To strengthen links and build long term relationships across the internal audit community within the public service;
 - To provide an effective group for the discussion of issues of common concern, sharing of good practice and commissioner of work to develop advanced practice;
 - To consider the development and training needs of our people as a collective to ensure that the best available products are procured at the best price;
 - To uphold the groups key values including: Respect; Openness and Honesty; Adding Value; Professional Team working; Sharing Best Practice; Integrity; Continuous Improvement.
- 1.3 The purpose of this Annual Report to key stakeholders is to provide an update on the Group's activities and achievements over the course of 2016.

2. SLACIAG ACTIVITY AND ACHIEVEMENTS DURING 2016

- 2.1 SLACIAG met four times during 2016:
- 18 March 2016 – hosted by Aberdeenshire Council;
 - 17 June 2016 – hosted by Scottish Borders Council;
 - 9 September 2016 – hosted by CIPFA Scotland; and
 - 25 November 2016 – hosted by North Lanarkshire Council.
- 2.2 All of the meetings were very well attended, re-affirming the value of the Group to members through the variety of topics considered by the Group over the course of the year and the calibre of speakers who attended and presented. This is particularly pleasing at a time of such significant change across Local Government generally and for Internal Audit in particular. The Group strives to ensure involvement across the whole profession with an ever increasing emphasis on the involvement of members of Internal Audit teams as well as Heads of Internal Audit.
- 2.3 As usual, the Group held its Annual General Meeting in March 2016. At that meeting, new office bearers were appointed with Andrea McMahon (Renfrewshire Council) succeeding Jill Stacey (Scottish Borders Council) as Chair Paul Doak being appointed as Secretary and Kevin O'Kane, being appointed as Treasurer, following the resignations of Gordon O'Connor (Falkirk Council) and Kenneth Ribbons (West Lothian Council) who had served the Group for many years. The outgoing Treasurer provided an update on the Group's finances, which continue to show a healthy financial position. This allowed the subscription rates to be held at the current level for the following year and enabled very good value training opportunities to be provided. Eilidh Mackay (East Ayrshire Council) agreed to assume the role of Vice Chair during the year.
- 2.4 As well as allowing the Group to conduct its AGM business, the March meeting provided the opportunity to continue some of the themes from the previous year including corporate fraud and health and social care integration. Sharon Murphy provided an insight into the work Glasgow City Council were doing in relation to corporate counter fraud. There was group discussion in relation to

health and social care integration and the arrangements for working with Health Board Auditors around areas such as the Annual Governance Statement. David Hughes (Aberdeen City and Aberdeenshire Council's) delivered an informative presentation around his experience and challenges for shared Internal Audit Services.

- 2.5 Philip Barr, Depute Chief Executive, Scottish Borders Council presented to the Group on the importance of involving Internal Audit throughout any significant process of change at the June meeting. Ronnie Nicol and Katherine Sibbald from Audit Scotland provided an overview of the new approach to the audit of Best Value. An overview of the Community Empowerment (Scotland) Act 2015 was provided by Ian Turner from the Scottish Government on the national picture and Shona Smith (Scottish Borders) from a local perspective.
- 2.6 The September meeting was a joint meeting with the Heads of Internal Audit from NHS Boards, this extended Group meeting heard from Fiona Mitchell-Knight from Audit Scotland on the findings arising from their first round on annual audits of the Integration Joint Boards and Gordon Neill from Audit Scotland presented to the Group on their first national review of integrated health and social care. The Group followed up with a discussion on partnership working and potential conflicts of interest in relation to auditing the Integration Joint Boards.
- 2.7 Detective Inspector Ricky Hutton delivered an interesting presentation to the Group on the work of the Police Scotland Anti-Corruption Unit over the last 3 years as well as the future direction of the unit. SEEMIS Company Secretary, Roddy Shearer presented to the Group on the governance arrangements and future development plans for the organisation. This followed with a Group discussion on how individual councils could rely on assurances from SEEMIS auditors.
- 2.8 During the year the Group developed a Knowledge Hub site for the Group, to allow for sharing of documentation and a member's communication forum. Membership of the Knowledge Hub continues to grow and is open to Heads of Internal Audit and their teams.
- 2.9 In line with the Group's objective to develop the influence of the group with key decision makers and institutions in Scotland, as the key representative body for internal audit in local government, the group participated in the Internal Audit Standards Advisory Board's consultation on changes to the Public Sector Internal Audit Standards.
- 2.10 Due to the variations between Scottish and English legislation in relation to counter fraud, it was recognised that there was an opportunity to develop an accredited counter fraud qualification specific to the Scottish legislative framework. Working with CIPFA's Head of Business Development the programme for the training was developed and is now available to practitioners with a role in counter fraud.
- 2.11 There are 26 councils currently participating in the SLACIAG peer review approach to External Quality Assessment (EQA) to meet the 2013 Public Sector Internal Audit Standards requirement that Internal Audit sections undergo periodic (at least 5 yearly) external assessment against the Standards. 5 reviews were completed during 2016/17 bringing the total reviews completed to 9. The Chair of SLACIAG presented an overview of the EQA framework to the CIPFA Scotland Executive.

3. COMPUTER AUDIT SUB-GROUP

- 3.1 The main aim of the Computer Audit Sub-Group (CASG), which is a permanent sub-group of SLACIAG, is to provide a forum to share and discuss computer audit practices and developments. This includes raising awareness of new standards, updates to legislation, new and current topics of interest, and computer audit developments, resources, and techniques. CASG meets three times per annum and the meetings, which are hosted by Councils, continue to cater for computer audit knowledge from novice through to professional level and were attended by auditors from Local Authorities as well as from Strathclyde Partnership for Transport and Scottish Water.
- 3.2 Meetings have included presentations and discussions on a range of topics with speakers from within and out-with the group. In the past year, presentation topics have included: SEEMIS security and management, Records Management, Payment Card Industry Data Security Standard (PCI-DSS), Business Continuity and Disaster Recovery, Social Media and Education Networks.

4. SCOTTISH LOCAL AUTHORITY INVESTIGATORS SUB-GROUP (SLAIG)

- 4.1 The main aim of SLAIG, which is a permanent sub-group of SLACIAG, is to provide a forum to share and discuss counter fraud practices and developments. This includes raising awareness of updates to legislation, new and current topics of interest, and developments in counter fraud activities. SLAIG meets four times per annum and quarterly meetings are held with the Crown Office and Procurator Fiscal Service (COPFS). An additional meeting was held with COPFS in November to specifically discuss the details of a proposed revision to prosecution policy.
- 4.2 The Group has worked closely with the DWP in relation to joint working with Local Authorities where there is a DWP benefit in payment; specific areas of interest have been in relation to council tax reduction scheme (CTRS) fraud and tenancy fraud. West Dunbartonshire Council participated in a joint working pilot on CTRS fraud and there has been interest from the DWP in developing a further pilot in relation to tenancy fraud.
- 4.3 The Group has been engaging with the Scottish Government and the Chartered Institute of Housing, Scottish Federation of Housing Associations and Housing Networks to seek statutory powers in Scotland in relation to tenancy fraud.
- 4.4 The Group has heard from speakers on topics of interest such as money laundering delivered by Police Scotland, procurement fraud work being undertaken by West Lothian Council and a presentation from the National Anti-Fraud Network (NAFN) on the intelligence available to investigators.

5. SUMMARY

- 5.1 In summary, SLACIAG has had another very successful year, and I believe that, individually and collectively, the Group will continue to be at the forefront of developments, is well positioned to meet the considerable challenges of the future, and that our voice will continue to be heard as experts in matters of risk management, governance and control. Group members, in their Authorities, will continue to adapt as necessary to support their Board and Executive Management Teams to maintain delivery of well governed services in the context of reducing resources and significant transformation.
- 5.2 Specific challenges ahead for members and for the Group will include: implementing External Quality Assessments and continuing to respond to strategic developments within the public sector, including Health and Social Care Integration. However, the groundwork has been laid through the development focus of our meetings and our upcoming conference which will place members in a strong position to meet those challenges going forward.
- 5.3 Finally, I would like to take this opportunity to thank the Committee and all Group members for their strong support and contributions during my first year as Chair, and wish the Group every success for the future.

Andrea McMahon

Andrea McMahon (Chief Auditor, Renfrewshire Council)
Chair of SLACIAG
24 March 2017