



Audit Committee

West Lothian Civic Centre
Howden South Road
LIVINGSTON
EH54 6FF

13 March 2018

A meeting of the **Audit Committee** of West Lothian Council will be held within the **Council Chambers, West Lothian Civic Centre** on **Monday 19 March 2018** at **2:00pm**.

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 Monday 18 December 2017 (herewith).

Public Items for Decision

5. Best Value Assurance Report - Report by Governance Manager (herewith)
6. Internal Audit Plan 2018/19 - Report by Audit, Risk and Counter Fraud Manager (herewith)
7. Counter Fraud Plan 2018/19 - Report by Audit, Risk and Counter Fraud Manager (herewith)
8. Audit Committee Workplan - Report by Audit, Risk and Counter Fraud

Manager (herewith)

9. Committee Self-Assessment - Report by Audit, Risk and Counter Fraud Manager (herewith)

Public Items for Information

10. Internal Audit of Building Services - Overtime Payments - Report by Audit, Risk and Counter Fraud Manager (herewith)
11. Report on Payments to Voluntary and Not For Profit Organisations - Report by Head of Planning, Economic Development and Regeneration (herewith)
12. Internal Audit of The Administration of School Medication - Report by Head of Education (Learning, Policy and Resources) (herewith)
13. Audit Scotland Report - Early Learning and Childcare - Report by Head of Education (Learning, Policy and Resources) (herewith)
14. External Audit Plan 2017-18 - 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 18 DECEMBER 2017.

Present – Councillors Chris Horne (Chair), Bruce Fairbairn (substituting for Damian Timson), Lawrence Fitzpatrick, John McGinty, David Tait and Noel Lawlor, Lay Member.

Apologies – Councillor Damian Timson

In attendance

Graham Hope (Chief Executive), James Cameron (Head of Education - Learning, Policy & Resources), Donald Forrest (Head of Finance and Property Services), Craig McCorriston (Head of Planning, Economic Development & Regeneration), Julie Whitelaw (Head of Corporate Services), AnnMarie Carr (Customer Service Manager), Nicola Gill (Public Transport Manager), Tony Irvine (Senior Planning Officer), James Millar (Governance Manager), Alison Raeburn (Service Officer), Stuart Saunders (Senior Compliance Officer), Kenneth Ribbons (Audit, Risk and Counter Fraud Manager), S Reid and N McPherson (EY)

1. DECLARATIONS OF INTEREST

There were no declarations of interest made.

2. MINUTE

The committee approved the minute of its meeting held on 25 September 2017 as being a correct record.

3. INTERNAL AUDIT PROGRESS

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 relation to the internal audit plan for 2017/18.

The report outlined the work undertaken to ensure the effectiveness of control over key risks to the council.

The committee noted the proposed amendment to the 2017/18 internal audit plan as outlined. An audit of the Social Policy risk CF001 "Assault or injury to staff, or malicious allegation, by service user" was included in the 2017/18 Plan. However, the Governance and Risk Board had commissioned Gallagher Bassett, the council's risk consultant, to carry out a review of personal safety in Social Policy. It was proposed therefore not to proceed with this audit at this time and that further work would be considered depending upon the outcome of the Gallagher Bassett review. It was therefore proposed to replace this in the 2017/18 audit plan by carrying out an audit of the Social Policy risk SP010 "Injury, death, or abuse to service user".

It was recommended that the Audit Committee:

- Notes that the 2017/18 internal audit plan remains on target to be completed; and
- Agrees to an amendment to the 2017/18 internal audit plan as set out in section D.5 of the report.

Decision

1. Noted the terms of the report; and
2. Agreed to the amendment to the 2017/18 internal audit plan as outlined within section D.5 of the report.

4. COUNTER FRAUD PRESENTATION

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager, which advised that a request was made to the Senior Compliance Officer at the meeting of the Audit Committee on 30 June 2017 to provide members with further details of the work of the Counter Fraud Team. Accordingly, a presentation was prepared providing an overview of the work undertaken by the Counter Fraud Team to assist the work of the committee.

A presentation was then given by the Senior Compliance Officer. He provided details of the Counter Fraud Team and outlined the work carried out by the team which included:

- Maintaining the council's Whistleblowing process;
- Conducting investigations into allegations of fraud, theft, corruption, embezzlement, bribery or any other allegations of criminal acts within the council;
- Administering the biennial National Fraud Initiative (NFI) data matching exercise working in partnership with Police Scotland and other Local Authorities; and
- Providing counter fraud advice and delivering fraud training sessions and communications.

It was estimated that 5.5% of total Public Sector spend was lost to fraud each year. Examples of case studies carried out within West Lothian Council were then provided. Finally, the committee was advised that robust policies and procedures were in place to reduce the risk of fraud, theft and wrongdoing within West Lothian Council.

The committee thanked the Counter Fraud Manager for the informative presentation.

It was recommended that the Audit Committee notes the work of the

Counter Fraud Team.

Decision

Noted the contents of the report and the presentation by the Counter Fraud Manager.

5. RISK ACTIONS ARISING FROM AUDIT AND INSPECTION REPORTS

The committee considered a report (copies of which had been circulated) providing an update of the progress made in implementing agreed actions arising from audit and inspection reports.

The committee was advised that a report was submitted to the Audit Committee on 30 June 2017 setting out the findings of the risk actions that had been endorsed by The Board and entered into Pentana, in accordance with the agreed protocol, which were due to be completed by 31 March 2017 and which were still outstanding. The report and appendix presented to the committee constituted an update on the actions carried out.

There were 12 outstanding risk actions highlighted, of which 1 related to Audit Scotland and 11 related to internal audit. Oversight of outstanding risk actions by the Audit Committee would help to facilitate their completion.

In response to questions from members, the committee was provided with more information as follows:

In relation to the use of the Sanserver, it was confirmed that the new Objective records management system was an improvement on Meridio and that the actions outstanding were on track for completion by 31 January 2018.

In relation to invoicing procedures and controls in Trapeze the committee was advised that one action had now been completed and that confirmation had recently been requested from Internal Audit as to the suitability of a new procedure before the second one was signed off.

In relation to bus shelter advertising, it was explained that all that remained to do was to have the formal contract variation document signed.

In relation to the cleansing and destruction of former employee records, the committee noted the complications caused by the Historic Sexual Abuse Inquiry, and that officers were considering a process of archiving rather than destruction.

In relation to housing capacity shortfall, the committee was assured that the position was considered monthly at Senior Management team meetings, and periodically by the Executive Management Team and the Corporate Management Team.

It was recommended that the Audit Committee considers the outstanding risk actions and notes that failure to timeously implement agreed actions could impact adversely on performance and/or achievement of council objectives.

Decision

Noted the contents of the report.

6. INTERNAL AUDIT OF THE ADMINISTRATION OF SCHOOL MEDICATION

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 administration of school medication within Education Services.

The report advised that in accordance with the internal audit plan for 2017/18, an audit has been undertaken of the administration of school medication within Education Services. The resultant audit report was attached as an appendix to the report which included an action plan containing agreed management actions. The audit carried out concluded that control of the administration of school medication within Education Services was unsound.

The Audit, Risk and Counter Fraud Manager then responded to questions from members of the committee.

The Head of Education (Learning, Policy and Resources) undertook to provide an update on the progress with the agreed actions to the next meeting of the Audit Committee scheduled to be held on 19 March 2018.

In response to questions from members, officers confirmed the problems were due to failures to apply the existing policy and then failure to review compliance. The previous Validated Self-Evaluation had not been successful in this case. As explained in the report and appendix, new procedures had been implemented. A Compliance Officer had been designated. The system called RIVO would be used for incident reporting. Thirty percent of schools would be visited by the Compliance Officer. A central register was being maintained. Central support was available, training was being delivered and training records retained. The issues had been communicated to all head teachers and that would be reinforced through Head Teacher Leadership Meetings and through the Head Teacher Induction Programme. If required, disciplinary action would be taken. A new policy and procedure was being developed in consultation with NHS Lothian.

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

Decisions

1. Noted the recommendation in the report; and
2. Agreed that an update would be provided at the next meeting of the committee by the Head of Education (Learning, Policy and Resources) on the progress made with the agreed actions.

7. INTERNAL AUDIT OF THE ADMINISTRATION OF FINANCIAL INSTRUMENTS

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 administration of financial instruments within Planning, Economic Development and Regeneration.

The report recalled that in accordance with the internal audit plan for 2017/18, an audit was undertaken on the administration of financial instruments within Planning, Economic Development and Regeneration.

As local planning authority, the council was responsible for ensuring provision was made for end of life restoration of major mineral extraction and wind farm development sites. This included ensuring that adequate third party contingency cover was made available to provide an alternative means of financing restoration in the event of a developer or landowner failing to meet their restoration obligations. The resultant audit report was attached as an appendix to the report which included an action plan containing agreed management actions. The audit carried out concluded that control required improvement.

In relation to the deposit of money for the Pates Hill development, the committee was advised that the money had been deposited but that records were incomplete. There was now documentary evidence that the funds were available, but at a slightly reduced level since part had been released on partial completion of the developer's obligations. The new software mentioned had gone live ahead of schedule, and it would provide automated reminders and warnings.

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

Decision

Noted the contents of the report.

8. REPORT TO MEMBERS AND THE CONTROLLER OF AUDIT ON THE 2016/17 AUDIT

The committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services providing details of the outcome of the 2016/17 audit which included a summary of the key points

arising from the Annual Audit Report. West Lothian Council's Annual Accounts for Year ended 31 March 2017 was attached at Appendix 2 to the report.

The report highlighted the operating performance of the council in 2016/17, the reserves and balances held by the council and the investment and performance in relation to the capital budget.

The committee noted that the Auditor provided an unqualified opinion on the council's financial statements for 2016/17. The Auditor concluded that the council has generally sound financial management arrangements in place and that there was good recognition of the challenges in the future. The Auditor made 14 recommendations following the audit and the management response to these was set out in appendix F in the Annual Audit Report to Members and the Controller of Audit, which was attached at Appendix 1 to the report. As noted, some elements of recommendations 8 and 9 were most appropriately considered by elected members of the council, and these were now complete.

In conclusion, the audit represented the first carried out by Ernst and Young LLP for West Lothian Council. Since the start of the council in 1996, external audit has been conducted by Audit Scotland and the change has inevitably meant challenges for the council and our new auditors. Overall, council officers and auditors have worked together professionally and constructively and would review the experience this year to identify areas of learning and improvement for future years.

Officers then responded to questions from members of the committee. The Head of Finance & Property Services undertook to provide members with details relating to independent fixed asset valuations. Members were advised that there was now no overlap between memberships of West Lothian Leisure Advisory Committee and West Lothian Leisure Board of Directors, and that there were now clearer reporting arrangements in place for both service and financial performance. The council's process for voluntary severance was explained, including the need for a business case to demonstrate pay-back within a short period of time and regular reporting to members through committee. The change in external auditors was noted and the challenges that had raised, but the committee was advised by the Head of Finance & Property Services and EY that a good working relationship had been established. The Audit, Risk & Counter Fraud Manager confirmed that he could reconcile the annual internal audit report with the plan as approved and prioritise planned audits when presenting the plan.

It was recommended that the Audit Committee:

1. Considers Ernst and Young LLP's 2016/17 Annual Audit Report (Appendix 2);
2. Considers the 2016/17 Annual Accounts (Appendix 2); and
3. Notes the management response to the action plan contained within the Annual Audit Report and the progress that has been

made in implementing the agreed management actions.

Decisions

- Noted the recommendation in the report;
- Noted that the Head of Finance and Property Services undertook to advise members on independent fixed asset valuations; and
- Noted that the Audit, Risk & Counter Fraud Manager would reconcile the annual internal audit report with the plan as approved and prioritise planned audits when presenting the plan for approval.

9. LOCAL GOVERNMENT IN SCOTLAND FINANCIAL OVERVIEW 2016/17

The committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services providing a summary of the report *Local Government in Scotland Financial Overview 2016/17* published by the Accounts Commission on 28 November 2017. The report also outlined officer responses to the points included in the scrutiny tool for councillors.

The report advised that The Accounts Commission's *Local Government in Scotland Financial Overview 2016/17* report outlined the major financial challenges facing local government. The report highlighted that councils were increasingly showing signs of financial stress as while funding had reduced, costs and demands had increased. In addition, a rising proportion of funding was directed to national priorities, which was making it difficult for councils to identify and deliver savings to balance budgets. The following appendices were attached to the report:

- Appendix 1 – Summary of CIPFA Building Financial Resilience Report
- Appendix 2 – Measures Taken by Councils to Close Funding Gaps in 2017/18
- Appendix 3 – Local Government Financial Overview 2016/17 Scrutiny Tool for Councillors

The overview report summarised a number of key messages for councillors and highlighted the implications for West Lothian Council. It was agreed that the established integrated approach to corporate and financial planning should continue for the five year period 2018/19 to 2022/23. It was also acknowledged that the financial position facing the council was very challenging therefore officers were required to undertake preparatory work on options for future potential savings, which included continuing to monitor the challenges and pressures ahead to ensure that resources were targeted towards achieving the council's priorities as demonstrated by the quarterly budget model update presented to the Partnership and Resources PDSP.

West Lothian Council has a solid base to address the challenges that would be faced in delivering key priorities. This was acknowledged in the

auditor's report on the 2016/17 financial accounts where it was concluded that the council has generally sound financial management arrangements and the council's financial position was generally sound. Although the council has significant cost pressures associated with demographic change, it has a good basis to address this challenge through having an established process for aligning the financial strategy to priorities.

The Accounts Commission believes that councils who demonstrated effective leadership and robust planning would be in a better position to manage the challenges ahead. Consideration of the issues within the report, and the detailed responses to the scrutiny tool, would assist in ensuring that the council continued to be well placed to deliver agreed priorities within reduced financial resources

The committee noted the difficulties for public bodies caused by setting only annual budgets and the advice from the Head of Finance & Property Services that the council needed to put in place at least a medium-term financial strategy, as it had previously agreed to do.

It was recommended that the Audit Committee:

1. Notes the key messages included in the report; and
2. Notes officer responses to the points raised within the councillors scrutiny tool which could be used by elected members to help them better understand the council's financial position and to scrutinise financial performance.

Decision

Noted the recommendation in the report.

10. AUDIT SCOTLAND - PRINCIPLES FOR A DIGITAL FUTURE: LESSONS LEARNED FROM PUBLIC SECTOR ICT PROJECTS

The committee considered a report (copies of which had been circulated) by the Head of Corporate Services providing a summary of the Audit Scotland report entitled "Principles for a Digital Future: Lessons learned from public sector ICT projects". West Lothian Council Gap Analysis report was attached as an appendix to the report which identified areas for improvement in the management of Council ICT projects.

The report advised that Audit Scotland published a report in May 2017 entitled "Principles for a Digital Future: Lessons Learned from Public Sector ICT Projects". The report draws on the recommendations from previous Audit Scotland reports on failed Scottish public sector ICT projects and experiences from around the world. The report recognised the importance of effective digital processes in supporting transformation of public services, but noted that public authority ICT projects and programmes were not always successfully managed. A set of common themes and issues were identified, which were developed into "Principles for Success" to be considered by all public sector organisations when

planning and implementing digital programmes and projects.

The Council was able to evidence good practice in many of the areas highlighted in the Audit Scotland report in relation to the delivery of ICT Projects. The actions which were set out in the gap analysis report could further improve governance around change programmes.

During the course of the discussion members of the committee recommended that consideration should be given to including some work in the Internal Audit Plan 2018/19 on the process for preparing and signing off on project briefs.

In response to questions from members, the Head of Corporate Services explained the process that would be followed to develop actions across all services through the ICT Project Board. Project briefs were reviewed by appropriate advisers, such as Legal Services. She confirmed that although PRINCE2 was the project management tool used for IT projects there were others available which might better suit other types of council projects.

It was recommended that the Audit Committee:

1. Notes the key findings and recommendations of the Audit Scotland report; and
2. Notes the areas for improvement identified in the gap analysis report attached at Appendix 1.

Decision

- Noted the recommendation in the report; and
- Agreed that the internal audit plan should include some work in relation to the issues raised in the report.

11. AUDIT SCOTLAND - EQUAL PAY IN SCOTTISH COUNCILS

The committee considered a report (copies of which had been circulated) by the Head of Corporate Services providing a summary of the findings of the Accounts Commission's report on Equal Pay in Scottish Councils.

The report advised that The Accounts Commission undertook an audit of equal pay activity across Scottish Local Government, focusing on five main themes which were outlined within the report. The audit was carried out using a mixture of face to face meetings with six sample councils and requested specific information from all 32 councils. The survey for costs covered the financial periods 2004/05 to 2015/16. The outcome report was published in September 2017, a copy of which was attached as Appendix 1 to the report.

The report summarised seven key messages resulting from the audit and the key findings relevant to West Lothian Council.

The public sector equality duty requires public authorities to take a proactive approach to tackling discrimination. A key action from the report was for councils to ensure that they were fulfilling their public sector equality duties in relation to equal pay. West Lothian Council has a clear commitment to equal pay, which was set out in its Equal Pay Policy statement.

Finally, it was noted that the council was in a strong position with respect to its historical management of equal pay claims and has a clear plan to deal with the small number of claims still remaining. The ongoing governance and oversight of equal pay was robust and in line with the Audit Commission recommendations.

It was recommended that the Audit Committee notes the key findings and recommendations of the report.

In responding to questions, the Head of Corporate Services confirmed that the council was actively engaged in settling historic claims. The committee was advised that appropriate arrangements had been made to cover the cost of settling those historic claims, but that if new claims were made then additional arrangements, based on risk assessments, would have to be made.

Decision

Noted the recommendation in the report.

12. COUNTER FRAUD REPORT FOR FIRST SIX MONTHS OF 2017/18 (APRIL TO SEPTEMBER)

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 first half of financial year 2017/18.

The report provided details of the Annual Counter Fraud Plan 2017/18 which was approved by the Audit and Governance Committee on 27 February 2017. 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 2017/18 (April to September) was provided in appendix 2 in the report.

The committee was advised that cases where fraud and irregularity was established in the reporting period were summarised in Appendix 1 to the report and considered in private, exempt in terms of Paragraphs 1, 6 and 14 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 in the report.

The report highlighted the performance and activities of the Counter Fraud Team during the first half of financial year 2017/18. 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.

The Audit, Risk and Counter Fraud Manager confirmed in response to questioning that there had been no reporting to committee on individual cases because those completed had not been considered significant enough to require to be brought to the committee.

It was recommended that the Audit Committee notes the performance and activities undertaken by the Counter Fraud Team during the first half of financial year 2017/18.

Decision

Noted the recommendation in the report.

13. 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 Appendix 1 to the Counter Fraud Report for the First Six Months of 2017/18 on the grounds that this involved the likely disclosure of exempt information under Schedule 7A of the Act.

14. COUNTER FRAUD REPORT FOR FIRST SIX MONTHS OF 2017/18 APPENDIX 1 (SUMMARY OF FRAUD/IRREGULARITY ESTABLISHED IN 2017/18)

The committee considered Appendix 1 to the Counter Fraud Report (Summary of Fraud/Irregularity) for the first six months of 2017/18 (April to September) which was deemed to be exempt under Paragraphs 1, 6 and 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 seven investigations established that a fraud or irregularity had taken place. These investigations substantiated allegations such as theft of cash, undeclared criminal convictions, procurement fraud and sickness absence fraud. The total value of fraud and irregularity established by the CFT was £15,260.93. Where relevant, an action plan was agreed with the service to help improve internal controls in these areas. The cases where fraud and irregularity were established in the first six months of 2017/18 were summarised in Appendix 1 to the report.

It was recommended that the Audit Committee note the summary of

Fraud/Irregularity outlined in Appendix 1 to the Counter Fraud report for the first six months of 2017/18.

Decision

Noted the Summary of Fraud/Irregularity for the first six months of 2017/18 (April to September).



AUDIT COMMITTEE

BEST VALUE ASSURANCE REPORT

REPORT BY CHIEF EXECUTIVE

A. PURPOSE OF REPORT

To consider the council's Best Value Assurance Report and progress on the actions agreed in response.

B. RECOMMENDATIONS

1. To consider the council's Best Value Assurance Report (BVAR) following its referral to the committee by council on 16 January 2018 (Appendix 1)
2. To note the progress made against the actions agreed in response to its recommendations (Appendix 2)
3. To identify additional information or actions required arising from the BVAR and completion of the agreed actions, including any further reporting to future meetings of the committee

C. SUMMARY OF IMPLICATIONS

I Council Values	Focusing on our customers' needs; 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)	Best value duty in Part I of the Local Government in Scotland Act 2003; Accounts Commission reports and procedures in Part VII of the Local Government (Scotland) Act 1973.
III Implications for Scheme of Delegations to Officers	None
IV Impact on performance and performance Indicators	The Best Value Assurance Report and the council's actions in response will assist in delivery of agreed outcomes and improve delivery of services.
V Relevance to Single Outcome Agreement	The council's progress in achieving key outcomes was a focus of audit activity and is mentioned in the Accounts Commission's findings
VI Resources - (Financial,	N/A

Staffing and Property)

VII Consideration at PDSP	N/A
VIII Other consultations	Senior council officers

D. TERMS OF REPORT

1 Background

- 1.1 The council has a legal duty to secure “best value”. Best Value is continuous improvement in the performance of the council's functions. It is measured through improvements in outcomes. That involves maintaining a balance amongst quality of performance, cost to the authority, and cost to service users. In maintaining that balance the council must consider efficiency, effectiveness, economy, equal opportunity and sustainable development.
- 1.2 A new approach for auditing Best Value was launched in 2016. The council's last Best Value audit report was in 2005, under the previous arrangements. The council was one of six councils due to receive a Best Value Assurance Report in 2017.
- 1.3 The council's compliance is audited through Audit Scotland. Audit Scotland submits a Best Value Assurance Report to the Accounts Commission. The Commission considers the report, makes findings, and may make recommendations. The council must consider those findings within three months of receiving them. It must also consider any recommendations made, decide whether or not to accept them, and decide what action to take, if any, in response. That must be done by full council and must be preceded by a newspaper notice.
- 1.4 The council's Best Value audit was carried out by a combined audit team of Audit Scotland and Ernst and Young, the council's external auditors. The audit focussed on vision and priorities; financial sustainability; financial governance and resource management; performance management and self-evaluation framework and measurement of outcomes; community engagement; partnership working; and ALEO governance arrangements.
- 1.5 The BVAR was considered by the Accounts Commission and published in November 2017. It contained recommendations for the council to consider. The necessary newspaper notice was published on 21 December 2017. Council considered the report and its recommendations on 16 January 2018. Council accepted the recommendations. It agreed the proposed actions in response to them. It referred the BVAR on to this committee for further consideration and monitoring of progress on the actions agreed. A summary of the decision was agreed with the Accounts Commission and published on 1 February 2018.

2 Recommendations and actions

- 2.1 The Accounts Commission's recommendations were:-
 1. The Commission accepts the Controller of Audit's report on Best Value in West Lothian Council. We endorse the recommendations set out by the Controller of Audit in his report and expect the council to act upon them.

2. West Lothian has continued to be a well-performing council since the 2005 audit of Best Value. We are pleased to note that the council's services perform well and that outcomes for people are improving. The council has good self-awareness, a strong vision shared with its partners and well-established processes that capture the contribution from local people.
 3. As with other councils, West Lothian Council faces substantial budget challenges. It is crucial that elected members play a more prominent and leading role in responding to these challenges. They should identify earlier in the budgeting process the priorities which need to form the basis of engagement with communities. A council's Best Value duty is the responsibility of all elected members. The council needs an approach where all members are involved effectively in scrutiny of policy priorities and performance on a council-wide basis. Such scrutiny also needs clearer links between budget and service performance.
 4. It is encouraging that the council is further refining its citizen-led inspection approach and developing citizen involvement in service design. Such approaches are an important basis for the requirements of the Community Empowerment Act. It is also important that public information is balanced and demonstrates the links between actions and outcomes for local people.
 5. The Commission is clear that councils' relationships with arm's-length external organisations need to be as transparent as possible and allow a robust level of scrutiny by the council. We note that the council is reviewing its relationship with West Lothian Leisure and we urge the council to ensure that these expectations are addressed.
 6. We encourage the council to continue its progress. In line with our new approach to auditing Best Value, the Controller of Audit will monitor progress through the annual audit and update the Commission accordingly.
- 2.2 Agreed actions were entered into Pentana and responsible officers assigned. A report from Pentana is in Appendix 2. It shows the progress against each recommendation with short explanatory notes. The published summary of the council's decision covered the recommendations and agreed actions. Based on that summary, the context and the current position in relation to progress are as follows.

3 Citizen-led inspection programme (Pentana, PIS17002_Are)

3.1	RECOMMENDATION	ACTION
	Increase programme for community involvement in reviewing and improving services through the Customer Led Inspection programme	Citizen Led Inspection programme to be implemented and progress reported to Performance Committee on an ongoing basis

- 3.2 The council was found to have strong consultation and engagement approaches aligned to corporate planning and decision making processes. It was recognised that customer involvement is an integral part of the way the council plans, designs and improves our services. This inclusive approach had produced demonstrable benefits to service users. The council has trained and supported a team of citizen inspectors in a range of inspection techniques (CLI). This helps give citizens a stronger voice in the decision-making process. It allows the council to work more closely with our community to build stronger, more responsive services for people living in West Lothian.

- 3.3 The council has been encouraged to extend the use of CLI following a review of the process. A new CLI programme is underway that is intended to encourage greater engagement with local residents, with a wider range of options for participation, and to offer council services flexible and quicker interventions with inspectors. This includes Customer 'Look Sees', a rapid intervention which now forms part of the ongoing programme, where citizens visit council facilities to assess the offering and standards of service delivered.
- 3.4 The 2018 CLI programme has been developed through consultation with the registered Citizen Inspectors and includes four Look See inspections in frontline services – two of which are underway – and a full inspection of the Advice Shop. A new recruitment campaign for Citizen Led Inspectors is in development. An in-year report on the progress and outcomes of the programme will be brought to Performance Committee.

4 Key scrutiny committees (Pentana WLC17003_Are)

- 4.1
- | RECOMMENDATION | ACTION |
|---|---|
| Chairs of the key scrutiny committees not to be members of the administration | Action already considered and taken (7 November 2017) |
| Ensure sufficient involvement in scrutiny arrangements from elected members who are not on decision-making committees | Action already considered and taken (7 November 2017) |
- 4.2 Reserving the chairs of Audit Committee and Governance & Risk Committee was a recommendation in the external audit report for 2017/18. As a result of that, Standing Orders and the Scheme of Administration were amended at full council on 7 November 2017, after the BVAR had been finalised. Standing orders now state that the Chairs of these two committees will not be appointed from the administration group(s). In addition, the remits of the two committees were amended to distinguish more clearly between them. Their roles in relation to the annual accounts and audit report were clarified at the same time.
- 4.3 The involvement in scrutiny arrangements from members not on decision-making committees had been mentioned in the annual audit report too. It was considered by council on 7 November as well. Council considered the proposal in the context of the overall scrutiny arrangements in Standing Orders (Committees and PDSPs) and the spread of membership. It decided not to take any steps to implement the suggestion. It agreed to note the comments from the external auditors which would inform appointments in future. No change to that position was made in response to the same point in the BVAR.

5 Scrutiny by members (Pentana PIS17003_Are)

- 5.1
- | RECOMMENDATION | ACTION |
|---|--|
| Work with elected members to help ensure full involvement in monitoring, scrutinising and driving performance | Review performance information provided to members |
| | Provide additional training and support to elected members |

- 5.2 Robust challenge from elected members in driving improvement of performance at a corporate level is a key element of delivering Best Value. The main forums for that are the nine Policy Development and Scrutiny Panels, Performance Committee and Education (Quality Assurance) Committee (EQAC).
- 5.3 The focus of the Performance Committee is corporate performance and ensuring performance management arrangements cover Best Value considerations. It also receives the outcomes from the council's self-assessment programme and detailed service performance reports. EQAC focuses on educational attainment, a structured review of individual schools' performance, outcomes from Validated Self Evaluation activity and inspection reports by the Education Inspectorate.
- 5.4 Officers are working with elected members on the Performance Committee to increase the impact of member-led scrutiny of corporate and service performance. Additional training was put in place in January for the committee members. There is ongoing discussion on ways to enhance officer support. The council is also recording more detailed minutes of questions and discussions..
- 5.5 Officers are currently reviewing the quality and range of performance information provided to committees and PDSPs. The aim is to ensure that members can actively participate in evaluating and improving council performance. An evaluation of the sufficiency of this information and the quality and frequency of reporting is to be completed. Reports will be made biannually to PDSPs providing more information on any impact of budget changes on performance.

6 Performance indicators (Pentana PIS17004_Are)

- 6.1
- | RECOMMENDATION | ACTION |
|--|--|
| Be clear on the key performance indicators to effectively monitor whether it is achieving its vision | Review quality and range of performance indicators to ensure sufficient alignment with priorities and key activities/processes |
- 6.2 The council was found to have effective systems for managing performance with clear standards for measurement, monitoring and reporting of council performance. It was found to have a clear understanding of the value and impact of our services on the community. Challenging performance targets and benchmarking were found to be built into the corporate performance framework and reviewed and challenged regularly through improvement processes.
- 6.3 The council had already agreed, in the management response to the 2016/17 Audit Report, that officers would undertake a review to consider how reporting and scrutiny on corporate performance could be improved. An action is in progress to improve how the council monitors and reports what it does to improve outcomes for local people. A review of corporate and service performance reporting is underway. That will consider the relevance of current and potential performance indicators in line with the new Corporate Plan, strategies and management plan scorecards. The council's Corporate Plan and performance scorecard was approved on 13 February 2018. Work to develop appropriate monitoring arrangements (including public reporting) is ongoing.

7 Priorities and savings (Pentana FM17021_Are, FM17022_Are and FM17023_Are)

- 7.1
- | RECOMMENDATION | ACTION |
|--|---|
| All elected members to take the lead in setting the priorities and ensuring that savings proposals are in line with those priorities | Further information on the content of the budget reports to Partnership & Resources Policy Development & Scrutiny Panel on 19 January 2018 and Council Executive on 6 February 2018 |
| | Corporate Plan, Revenue Plan, Capital Plan and Treasury Plan to be considered by elected members at the budget setting meeting, which will take place no later than mid-February 2018 |
| Councillors to be involved at an early stage in identifying priorities in future years | Review arrangements for councillor involvement in future budget planning and bring forward recommendations to a future meeting of Council Executive |
- 7.2 Further information on the content of the 2018/19 Revenue and Capital budget reports was submitted to the Partnership & Resources PDSP on 19 January 2018. Members were asked to consider what additional information they would wish to have included in the budget-setting report. The additional report was made to and Council Executive on 6 February for consideration prior to the budget setting meeting. The views expressed and decisions made at both were taken on board in the preparation of the revenue budget report to council on 13 February. These agreed actions, in relation to 2018/119, have therefore been fully completed.
- 7.3 As planned, the Corporate Plan, Revenue Plan, Capital Plan and Treasury Plan were presented to elected members and approved at the budget setting meeting on 13 February 2018.
- 7.4 Officers are to review arrangements for councillor involvement in future budget planning and bring forward a report and recommendations to a future meeting of Council Executive. Officers have prepared an outline plan to carry out the review and will report to Partnership & resources PDSP on 1 June and thereafter to Council Executive on 26 June.

8 West Lothian Leisure (Pentana ED17001_Are and FM17014_Are)

- 8.1
- | RECOMMENDATION | ACTION |
|---|--|
| Ensure that governance arrangements for West Lothian Leisure are robust and fit for purpose | Review scrutiny arrangements for the service and financial performance of West Lothian Leisure |

- 8.2 A review was to be undertaken by February 2018 on the governance and performance scrutiny arrangements for West Lothian Leisure (WLL). Officers have carried out that review to ensure they are robust and fit for purpose. The remit of the WLL Review Group has been updated to reflect the revised arrangements between WLC and WLL and to give effect to what is in the Services Agreement between the council and WLL. This will assist council officers to consider operational information and financial information provided by WLL and to assess the effectiveness of the service provider. Reporting to WLL Advisory Committee has been improved. In addition, approved audit reports will be shared with the WLL Review Group to evidence the existence of internal quality assurance systems. The recommendations, which include changes to the remit of the WLL Advisory Committee, will be presented to the WLL Advisory Committee on 23 March and then to Council Executive in April for consideration and approval.
- 8.3 A review was to be undertaken by February 2018 on the scrutiny arrangements for the financial performance on West Lothian Leisure. A review of financial monitoring and planning arrangements has been undertaken and a number of recommendations have been identified to enhance the scrutiny of WLL's financial performance. Reporting to WLL Advisory Committee on financial issues has been improved. The recommendations from the review, which include changes to the remit of the WLL Advisory Committee, will be presented to the WLL Advisory Committee on 23 March and then to Council Executive in April for consideration and approval.
- 8.4 Any changes to the committee's remit will require to be made by full council.

9 Integrated strategies (Pentana WLC17005_Are)

9.1	RECOMMENDATION	ACTION
	Consider service transformation alongside proposed savings options	New integrated strategies to be submitted to elected members for approval
	Continues progress on developing and embedding its approach to digital service delivery	

- 9.2 The five-year Corporate Plan was approved by council on 13 February 2018. A set of new integrated strategies to support the Corporate Plan priorities and the Local Outcomes Improvement Plan (LOIP) will be submitted to PDSPs and then to committee for approval. A timetable is being developed through the Corporate Management Team for draft Corporate Strategies to be presented to the P&R PDSP and then Council Executive in June 2018.

E. CONCLUSION

- 1 Substantial progress has been made towards completion of the agreed actions. The actions will continue to be monitored and reported through Pentana. EY will continue to monitor and report on best value through the annual audit process.

F. BACKGROUND REFERENCES

- 1 West Lothian Council, 16 June and 20 September 2005; 26 September, 7 November, 11 December and 22 December, all 2017; 16 January 2018
- 2 Local Government (Scotland) Act 1973, sections 102 to 104

- 3 Local Government in Scotland Act 2003, sections 1 to 6
- 4 Best Value Statutory Guidance <http://www.gov.scot/Publications/2004/04/19166/35251>
- 5 Best Value Assurance Report, 23 November 2017 <http://www.audit-scotland.gov.uk/report/best-value-assurance-report-west-lothian-council>

Appendices/Attachments: 1. Best Value Assurance Report (November 2017)
 2. Report from Pentana

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Graham Hope, Chief Executive

Date of meeting: 19 March 2018

Best Value Assurance Report

West Lothian Council

EMBARGOED UNTIL
00.01 HOURS
THURSDAY 23 NOVEMBER



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
November 2017


The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about-us/accounts-commission 

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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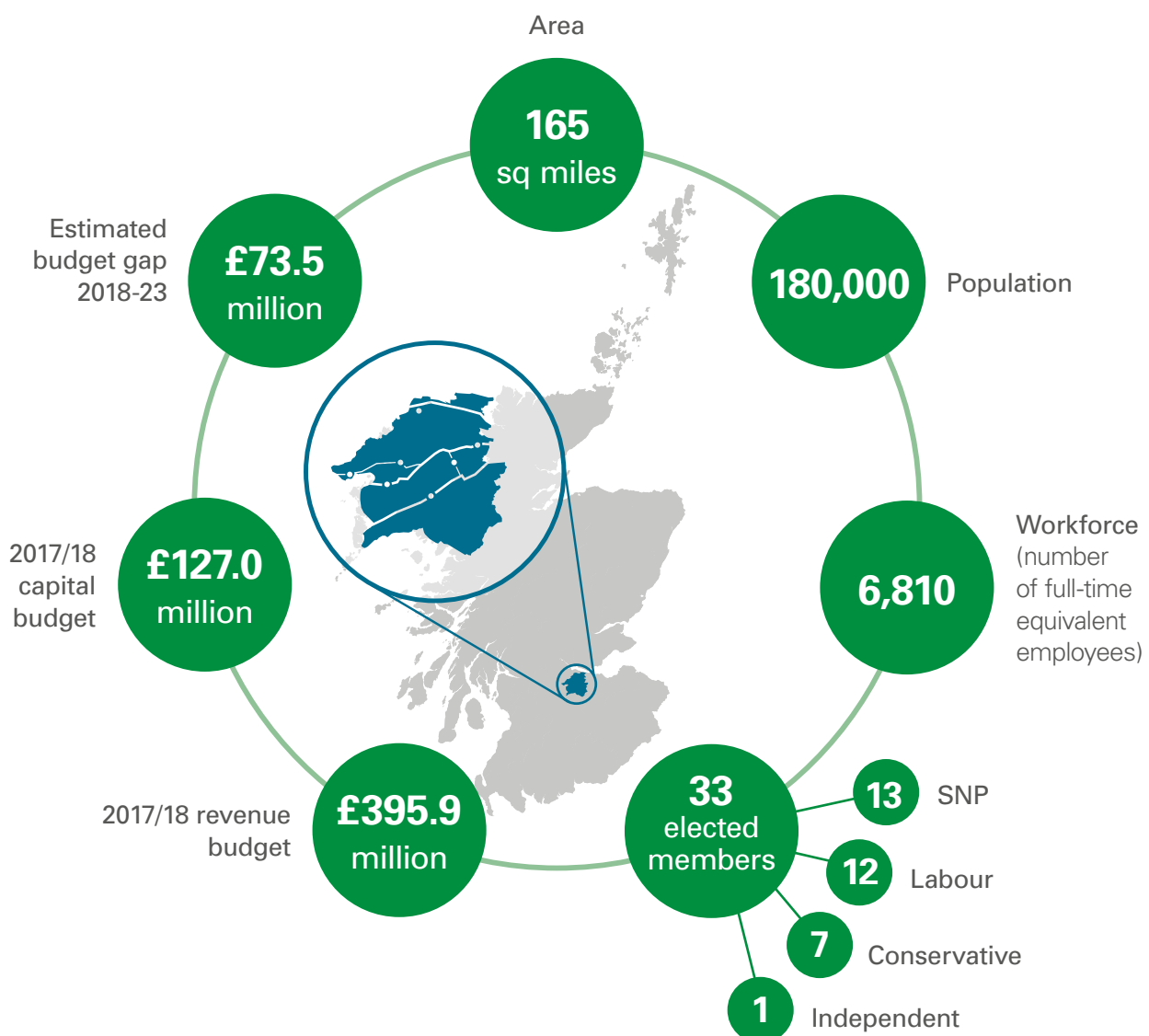
Web link



Exhibit data

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

Key facts



Commission findings



- 1** The Commission accepts the Controller of Audit's report on Best Value in West Lothian Council. We endorse the recommendations set out by the Controller of Audit in his report and expect the council to act upon them.
- 2** West Lothian has continued to be a well-performing council since the 2005 audit of Best Value. We are pleased to note that the council's services perform well and that outcomes for people are improving. The council has good self-awareness, a strong vision shared with its partners and well-established processes that capture the contribution from local people.
- 3** As with other councils, West Lothian Council faces substantial budget challenges. It is crucial that elected members play a more prominent and leading role in responding to these challenges. They should identify earlier in the budgeting process the priorities which need to form the basis of engagement with communities. A council's Best Value duty is the responsibility of all elected members. The council needs an approach where all members are involved effectively in scrutiny of policy priorities and performance on a council-wide basis. Such scrutiny also needs clearer links between budget and service performance.
- 4** It is encouraging that the council is further refining its citizen-led inspection approach and developing citizen involvement in service design. Such approaches are an important basis for the requirements of the Community Empowerment Act. It is also important that public information is balanced and demonstrates the links between actions and outcomes for local people.
- 5** The Commission is clear that councils' relationships with arm's-length external organisations need to be as transparent as possible and allow a robust level of scrutiny by the council. We note that the council is reviewing its relationship with West Lothian Leisure and we urge the council to ensure that these expectations are addressed.
- 6** We encourage the council to continue its progress. In line with our new approach to auditing Best Value, the Controller of Audit will monitor progress through the annual audit and update the Commission accordingly.

Audit approach



1. The statutory duty of Best Value was introduced in the Local Government Scotland Act 2003. The audit of Best Value is a continuous process that forms part of the annual audit of every council. Findings are reported each year through the Annual Audit Report. In addition, the Controller of Audit will present a Best Value Assurance Report (BVAR) to the Accounts Commission at least once during the five-year audit appointment for each council. This is the first BVAR on West Lothian Council under the revised arrangements. The [Appendix](#) summarises the findings from the previous Best Value report on the council.

2. This report seeks to provide the Accounts Commission with assurance on the council's statutory duty to deliver Best Value, with a particular focus on the Commission's Strategic Audit Priorities covering:

- the clarity of council priorities and quality of long-term planning to achieve these
- how effectively councils are evaluating and implementing options for significant changes in delivering services
- how effectively councils are ensuring that members and officers have the right knowledge, skills and time to lead and manage delivery of council priorities
- how effectively councils are involving citizens in decisions about services
- the quality of council performance reporting to help citizens gauge improvement.

3. We are looking for councils to demonstrate Best Value by showing continuous improvement in how they deliver their priorities. The pace, depth and continuity of improvement is key to how well councils meet their priorities in the future. Throughout the report we show how we have assessed the council's improvement over time and conclusions are reflected in the key messages in the report.

4. Our audit approach is proportionate and risk-based: it reflects the context, risks and performance of the individual council. It also draws on the intelligence from audit and scrutiny work carried out in previous years. In keeping with this approach we carried out some initial work to define the scope of our audit. This included reviewing previous audit and inspection reports, intelligence, council documents, initial meetings with senior officers and reflecting on our wider public sector knowledge and experience. [Exhibit 1 \(page 7\)](#) shows the key areas we focused on for our audit of West Lothian Council.

Exhibit 1

Key areas of focus for our audit



The council's vision and priorities



Community and citizen engagement so that people have their voices heard in how services are planned and provided



Performance and outcomes



Financial management and financial planning



Resource management, including workforce planning



Arm's-length external organisations' (ALEOs') governance arrangements and working with partner organisations




Performance management, including the process and results of self-evaluation

Source: Audit Scotland

5. The detailed audit work for this report was undertaken between May and August 2017. Our audit work included:

- interviews with elected members and senior officers
- observing a range of council and committee meetings and performance development and scrutiny panels (PDSPs)
- document review
- a review of relevant national and local sources and council performance data.

6. Our audit work was carried out by a joint team from Audit Scotland's Performance Audit and Best Value Business Group and the appointed auditor, in this instance Ernst & Young LLP, alongside the 2016/17 annual audit work. [*The 2016/17 Annual Audit Report of West Lothian Council*](#) , published in September 2017, will be available on Audit Scotland's website from December 2017. Where appropriate, relevant findings are included in both the annual audit report and this Best Value Assurance Report.

7. This report reflects the work done on the key areas of focus noted above. The work covers a number of Best Value characteristics included in the statutory guidance (2004) but it does not cover them all. Audit work in future years, performed as part of the annual audit, will include a follow-up on the findings from this report as well as more detailed audit work on other Best Value characteristics as appropriate. The results of this future work will be reported within subsequent annual audit reports by the appointed auditor.

8. We gratefully acknowledge the cooperation and assistance provided to the audit team by all elected members and officers contacted during the audit.

Key messages



- 1** The council has a clear vision ‘to improve the quality of life for the people of West Lothian’. This vision is shared by its partners and informed by local people through public consultation and ongoing engagement. The council has set clear priorities to support achieving this vision. The Executive Management Team (EMT) provides strong leadership to the council and there are good working relationships between councillors and officers. The council is currently refreshing its corporate plan, and has shown an awareness of the challenges it faces.
- 2** Since the 2005 Best Value report, the council has continued to demonstrate a number of strengths. Outcomes for local people are improving and the council continues to perform well when compared to others. It has effective processes to manage performance, a clear commitment to continuous improvement and a well-developed self-evaluation process. However, some areas for improvement identified in 2005 still remain.
- 3** There is scope to improve how the council monitors and reports what it does to improve outcomes for local people. By better articulating, monitoring and reporting how key performance indicators link to its priorities, the council will be better able to show if, and how, its actions have made a positive difference to the lives of people in West Lothian.
- 4** The council has been managing its finances effectively. However, over the next five years it needs to address a significant budget gap of £73.5 million. Officers are currently identifying savings proposals and carrying out a public consultation as the council refreshes its financial strategy to align with the next five-year corporate plan. Councillors were not involved in determining priorities until the public consultation was issued in mid-October, four months before they need to agree the budget. Earlier involvement by councillors in identifying priorities sooner would have reduced the risk to the council of failing to deliver the savings in the required timescales, particularly in 2018/19.
- 5** The council is committed to involving local people in identifying priorities and determining how services are delivered in their area. It works well with partners to deliver services in a joined-up way. The council needs to develop new approaches to delivering services so that it can successfully deliver the savings required and it is important that it continues to work with local people while it does this. It needs to build on this to deliver the requirements of the Community Empowerment (Scotland) Act 2015.

- 6 The council has introduced new governance and scrutiny arrangements since the last Best Value report, including new committees and Policy Development and Scrutiny Panels (PDSPs). While the PDSPs provide opportunity for councillors to scrutinise policy development and its impact on services, the council's overall arrangements are less effective, in practice, in supporting scrutiny of council-wide performance. In addition, the formal committee structure provides limited opportunity for councillors from outside the decision-making structure to scrutinise council-wide performance. Councillors need to play a more active role in committees and PDSPs to provide effective scrutiny. The council also needs to assure itself that governance arrangements for its leisure trust are appropriate.
-

Part 1

Does the council have clear strategic direction?



The council is aware of the challenges facing West Lothian and has shown commitment, along with partners, to a clearly defined vision for the area

The council has a clear vision of improving 'the quality of life for the people of West Lothian' and has set clear priorities as to how they hope to achieve this.

The council has shown a commitment to public consultation and involving local people in how council services are delivered, and to engaging with local people to identify priorities during the current refresh of the corporate plan.

There are good working relationships between officers and councillors. But councillors need to play a more active role in committees and scrutiny panels to ensure policies, plans and services are effectively scrutinised.

The council set a clear, ambitious vision for the area that is shared by community planning partners

9. West Lothian Council's Corporate Plan (2013-17) set out a clear, ambitious strategic direction for the council, centred on '*Delivering Better Outcomes*' for the people, families and communities of West Lothian. There is evidence of the council responding to the specific challenges it faces, and aligning its vision for the area to local needs, through its corporate planning process.

10. The corporate plan also fed into the refresh of the West Lothian Community Planning Partnership's Single Outcome Agreement (SOA), an agreement between the Community Planning Partnership (CPP) and the Scottish Government setting out local improvements and priorities. The CPP includes the council and partners such as the police, NHS and fire service as well as third sector organisations. In the 2014 audit of West Lothian CPP, the Accounts Commission found that the partners worked well together. It also found that councillors are actively engaged with the CPP and that the CPP had agreed an ambitious vision for the area.

11. The CPP SOA has been carried forward as the new Local Outcomes Improvement Plan that CPPs must now produce. This runs until 2023. The involvement of all the CPP partners in setting the priorities ensures that the CPP's vision complements that of the council.

the council's aim is to 'improve the quality of life for people in West Lothian'

Source: *Delivering Better Outcomes*, West Lothian Corporate Plan 2013-17

West Lothian faces a number of challenges including an ageing population

12. West Lothian is located in the central belt of Scotland, between Glasgow and Edinburgh. Two-thirds of the area is mainly agricultural land with the population centred on towns such as Livingston, Bathgate and Linlithgow. There are good transport links between these population centres and major rail and road links to the nearby cities.

13. The economy of West Lothian has changed significantly in the last two decades. The public sector remains a significant employer but there has been movement from more traditional manufacturing to high technology industries and research and development, as well as growth in the retail and service sectors. Average full-time earnings are below the national average. Employment rates are higher and deprivation levels are lower in West Lothian than for Scotland as a whole.

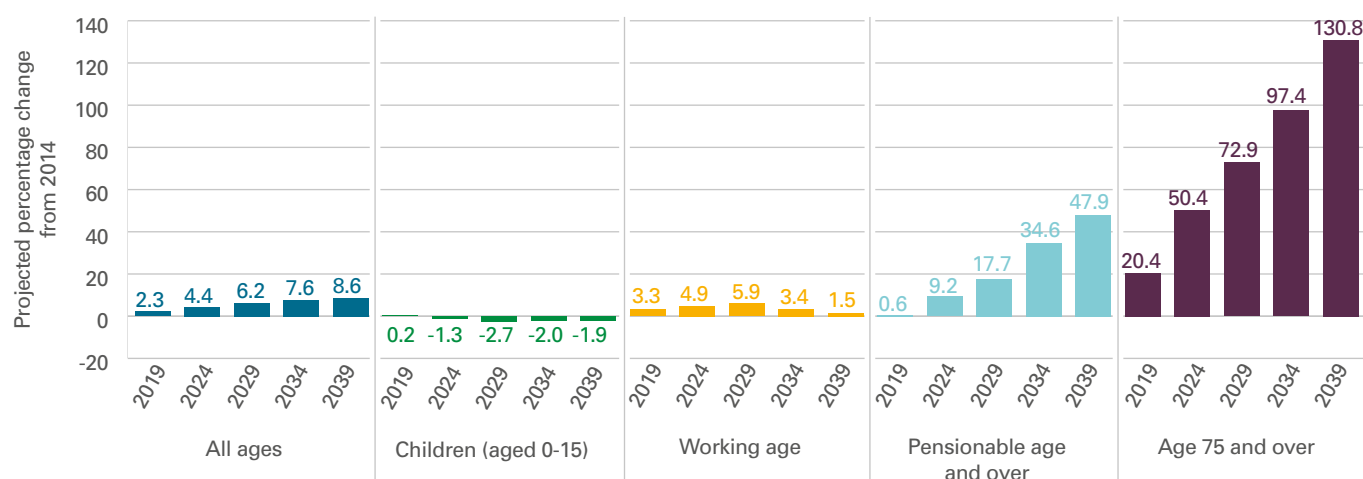
14. West Lothian has one of the youngest and fastest growing populations in the country, with a high proportion of children living in the area. Between 2006 and 2016, the population increased by 7.8 per cent compared to the national increase of 5.3 per cent, and in 2016 almost 20 per cent of the population were aged 0 to 15 (compared to around 17 per cent of the Scottish population).

15. West Lothian also currently has a smaller proportion of older residents than Scotland as a whole. However, the most marked demographic increase over the next few years relates to the number of older people living in West Lothian. Between 2014 and 2039 it is projected that the population of West Lothian as a whole will increase by around 8.6 per cent, compared to growth of 6.6 per cent for Scotland. Growth in West Lothian will be focused on older sections of the population, and the area has the highest projected rates of increase in people over pensionable age and those over 75. It is projected that the number of people aged over 75 will increase by 130.8 per cent compared to an overall increase of 85.4 per cent across Scotland ([Exhibit 2](#)).

Exhibit 2

Projected population changes in West Lothian by age group until 2039

Reductions in the number of children, combined with fluctuations in the working age population, mean that the projected growth in West Lothian's population will come from increases in the number of older residents.



Source: *Projected percentage change in population (2014 based)*, National Records of Scotland



The corporate plan is supported by a range of strategies and plans but it is not always clear how these contribute to the council's delivery of its vision

16. The corporate plan has eight priorities, supported by three themes, for achieving the outcomes that it has set out ([Exhibit 3, page 13](#)). It sets out nine workstreams designed to enable the council to deliver services in ways that will achieve the outcomes. The council's planning framework focuses on the link between the priorities, themes and workstreams at a high level. The council has a range of supporting strategies, annual service management plans and area strategies to implement the corporate plan. These set out a range of outcomes to be achieved and what actions will be taken to achieve them. Despite clear links to outcomes and attempts to reduce the number of supporting strategies and plans, this is still a complex planning framework and it is difficult to clearly identify the role of each one in achieving the council's overall vision.

17. The council and its partners have a clear understanding of the local needs and have successfully aligned their vision to priorities. Actions and performance indicators are linked to national data sources, including the Improvement Service's Local Government Benchmarking Framework (LGBF) and the national performance framework, or to data from local sources and responses to consultations. However, the council could more explicitly set out the way that the performance indicators within the service management plans link with the strategies.

18. Through the CPP, the council and its partners are working towards a single vision for West Lothian. The CPP has been developing its approach to planning at a more local level. The council has access to this planning information to begin identifying specific issues at a more local level and highlighting how its vision and priorities address these issues.

The vision is clearly communicated to staff and staff opinion is regularly sought through annual surveys

19. There are clear links between the corporate plan and management and service plans. This has helped the council to clearly explain its corporate priorities to staff. Throughout our audit work we saw evidence of this vision being communicated to staff at all levels. The Executive Management Team (EMT) meets regularly and engages effectively with the heads of services and with elected members.

20. Staff at all levels are briefed as plans and strategies are produced. A series of annual events, led by the Chief Executive and the EMT, are held to ensure that staff understand the council vision and that it is central to the culture in the council. If the council has significant proposals that impact on individual services, it organises specific events to inform and consult with employees.

21. The council undertakes an annual staff survey, with 19 questions covering seven categories linked to specific performance indicators. In 2017, it sent the survey to all council staff, over 8,000 individuals, and 57 per cent responded. Previously it was sent to a sample of 40 per cent of staff. Each year since 2013 around half of the recipients have responded. Overall results are reported to all staff and detailed feedback is provided to each head of service and followed up where results raise concerns. When asked about leadership and management in 2017, around 70 per cent of respondents replied positively. This is similar to previous surveys.

Exhibit 3

West Lothian Council's vision and priorities

The documentation supporting the council's vision is complex and this makes it difficult to identify the role of each in achieving the council's overall vision.

Council Plan 2013-17 vision: to improve the quality of life for people in West Lothian

West Lothian Council's eight corporate priorities:



1. Delivering positive outcomes and early interventions for early years
2. Improving the employment position in West Lothian
3. Improving attainment and positive destinations for school children
4. Improving the quality of life for older people
5. Minimising poverty, the cycle of deprivation and promoting equality
6. Reducing crime and improving community safety
7. Delivering positive outcomes on health
8. Protecting the built and natural environment

Three themes were identified to support effective delivery of these priorities:



- Financial planning
- Corporate governance and risk
- Modernisation and improvement

Delivery is supported by 21 strategies (developed by the council and partners to achieve a particular outcome, or outcomes)



Council strategies

- Asset Management Strategy
- Corporate Procurement Strategy
- Attainment Strategy
- Information Strategy
- People Strategy
- Customer Service Strategy
- Improvement Strategy
- Revenue Budget Strategy
- Audit, Risk and Counter Fraud Strategy
- ICT strategy
- Capital strategy



Area strategies

- Anti-Poverty Strategy
- Climate Change Strategy
- Community Safety Strategy
- Economic Strategy
- Health Improvement Health Inequalities Alliance Action Plan
- Joint Commissioning Strategy
- Local Transport Strategy
- Open Space Strategy
- Reshaping Care for Older People Strategy
- West Lothian Local Development Plan

Seven annual management plans (developed by each council service to set out the key activities and outcomes that services will work to achieve in the year and the required resources)



- Education Services
- Planning, Economic Development and Regeneration Services
- Corporate Services
- Housing, Customer and Building Services
- Operational Services
- Social Policy Services
- Finance and Property Services

Public consultations form an important part of the council's corporate planning process

22. The corporate plan makes clear reference to the public consultations the council has undertaken to identify what matters to the people of West Lothian and how it works with its partners.

23. The council has carried out two large-scale public consultations in the current corporate planning period. The first in 2012, '*Delivering Better Outcomes*', asked local people their views on the relative importance of the council's proposed priorities, with opportunities for people to make their own proposals. Local people were asked to consider different ways of delivering services so the council could achieve its priorities and balance its budget. The council got around 3,000 responses and 17,000 comments. It carried out a second consultation, primarily focused on budget choices, in 2014. This received around 3,500 responses and 40,000 comments.

24. Summaries of the responses to both consultations were reported to elected members prior to their approving the corporate plan and annual budgets. The responses and how they would be taken forward were also made publicly available, so respondents could see how the council had addressed their comments. The ranking of priorities in the corporate plan is in line with the ranking identified through the 2012 consultation. Communities were generally supportive of the council's proposals on priorities, delivery options and budget measures. In developing the council's corporate plan and supporting financial strategy for the period 2018/19 to 2022/23, the council undertook a further large scale four-week consultation in October and November 2017.

25. The council also carries out ongoing engagement and consultation. Consultations on specific themes, including health and social care, licensing, and housing are carried out via online surveys, public meetings, postal surveys and focus groups. Actions that the council has taken subsequently are published in the 'You Said/We Did' section of the council website to demonstrate the impact local people can have on council services.

26. The CPP asked the West Lothian Citizens Panel to complete a quality of life survey approximately every three years up until 2013. The results, and the CPP's actions in response, were detailed in the Community Panel Newsletter. The panel is made up of over 3,000 residents and is broadly representative of the West Lothian population. In 2013, 57 per cent of panel members responded to the survey and 88 per cent of them were satisfied or very satisfied with West Lothian as a place to live. The CPP is currently carrying out an online quality of life survey that is open to all residents of West Lothian. The council uses this survey data in its planning.

27. The council has nine Local Area Committees (LACs), one for each electoral ward, and all councillors from that area are members. Each committee discusses local issues and scrutinises the local impact of council policies. They regularly engage with local community groups who are invited to attend the LAC. The committees receive ward-specific reports from council services and partner organisations who attend the committee and they also award small community grants.

The council has involved local people in planning and improving its services but it will need to do more to empower communities

28. Since 2011 the council has operated a Citizen Led Inspection programme (CLI), where members of the community are invited to directly observe and inspect council services and assess whether they meet local needs. Inspectors assess

services against seven key criteria and each is graded on a five point range, from unsatisfactory to excellent. This led to suggested improvements in how services could better meet customer needs and preferences; streamline internal systems and processes; and publish information customers will find useful.




29. Between 2011 and 2015, eight CLIs were carried out before the council paused the programme to learn lessons and design a new programme that will cover up to 2018. The assessment of the initial programme found that while it led to useful recommendations, the level of commitment required from both council services and the inspectors could be prohibitive. This may exclude sections of the community from becoming involved.

30. This led to the council designing a refreshed programme that acknowledges CLIs can be used in different ways depending on the conditions and complexity of the service area being inspected. As well as the original 'full' CLI, now branded 'Customer Inspection', it introduced two new, more targeted, options ([Exhibit 4](#)).

Exhibit 4

Citizen Led Inspections

West Lothian Council has designed three options for Citizen Led Inspections.

Type of Inspection	Focus:	Carried out:
 Customer Experience: Look-See	Customers visit council services and assess offerings	When service areas have been changed or there is a performance issue
 Customer Inspection	Customers independently assess and evaluate services	On a planned programme of activity, agreed through consultation with inspectors, and focused on services with high levels of customer interaction
 Customer Re-design: Customer Journey	Customer will work with services undergoing service redesign to ensure customer views are considered	On a programme, but also where intervention is identified (due to service redesign or performance issues)

Source: West Lothian Council

31. The last full CLI was undertaken in November 2014 and a pilot of the lighter 'Customer Look-See' inspection was carried out in September 2015. In 2017, two of the new CLI 'Customer Experience: Look-See' have been undertaken. These looked at the council's Customer Information Services, which deals with customer enquiries, and the council's cemetery services. A full CLI of Business Gateway, which provides economic development services within West Lothian, is currently under way.

32. The council has made efforts to empower local communities by involving them in decisions about how services are best delivered, through consultations, the Citizens Panel and CLIs. Local communities have also taken on responsibility for the activity schedules at local community centres ([Case study 1, page 16](#)).

Case study 1



The council is involving local communities in deciding how they use community centres

West Lothian Council community centres are run in partnership with management committees formed of local people. Thirty seven local management committees are responsible for developing the programme of activities delivered at community centres in each area.

The management committees rent the centres from the council and decide upon the letting fees and policies for each centre. They can use income they generate and can redecorate and furnish the centres to meet their needs. The council retains ownership of the centre and pays for utilities and centre staff. This has not cost more than if the council ran the centres in a more traditional manner.

The council is currently progressing partnership agreements with each management committee to ensure the priorities and programmes that the committees set to meet local needs are aligned to council priorities.

Source: Audit Scotland and West Lothian Council

33. The Community Empowerment (Scotland) Act 2015 places significant expectations on public bodies, and the council must build on its experience in consulting with its residents and communities as it takes forward the task of redesigning its services for the future. The council is currently investigating the transfer of assets, such as buildings or land, to local community groups. One proposal has been taken forward so far resulting in Craigsfarm in Livingston transferring to community ownership. The farm is currently being redeveloped for community use, having secured £1.25 million of third party funding, and work is expected to be completed in Spring 2018. A further five applications for assets to be transferred to community ownership have been received. Two are currently being progressed, one was withdrawn by the group making the application and one was not considered to be a valid application. The group that made the fifth application are currently considering whether to provide additional information or to withdraw the application.

The council has appropriate governance arrangements to conduct its business but there is scope to strengthen some of them

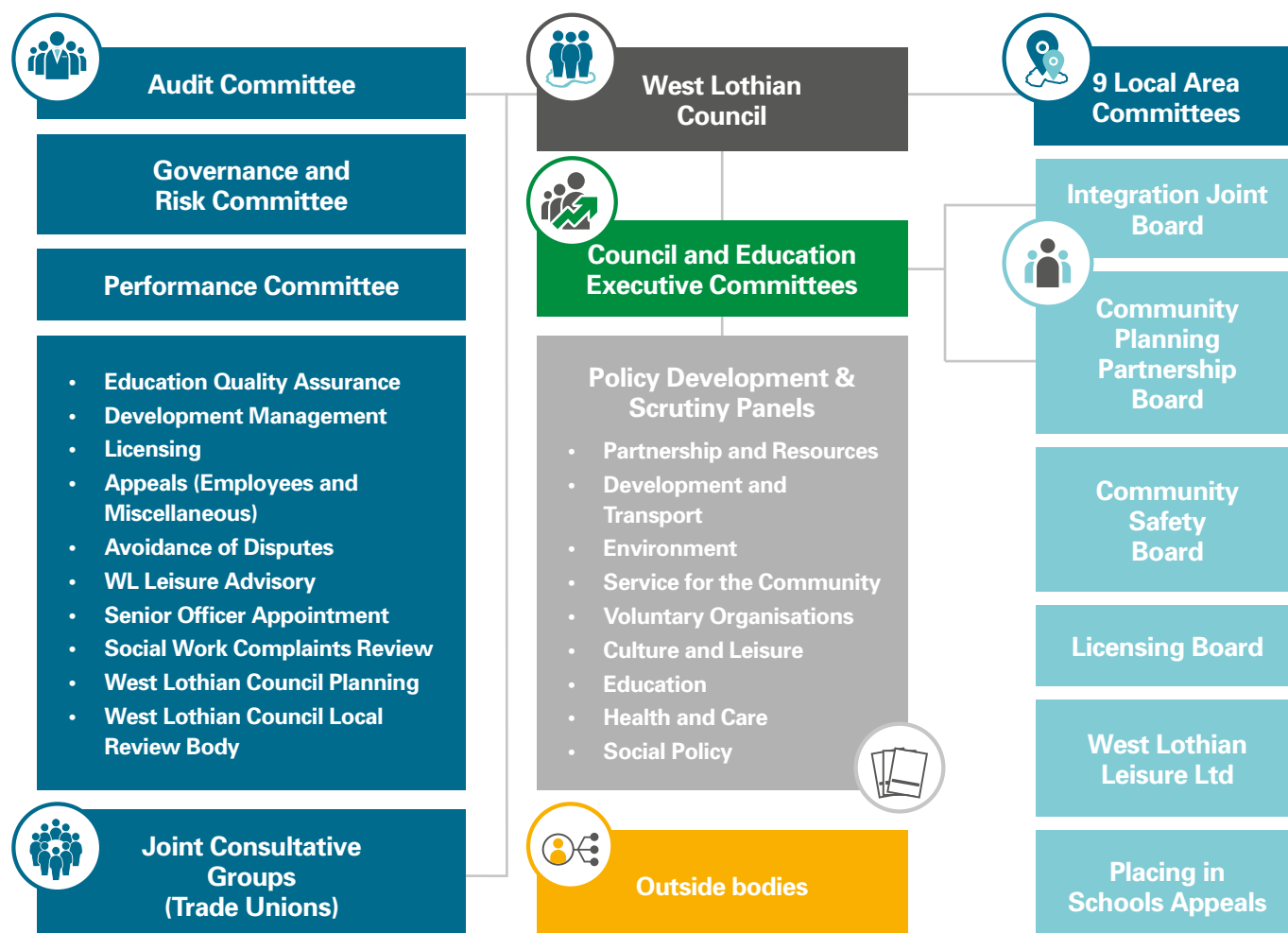
34. For the last decade West Lothian has been run by minority administrations. Following the May 2017 local government elections, a Labour minority formed the current administration ([Appendix](#)).

35. The Standing Orders regulate the way the council goes about its business. The Scheme of Administration sets out the membership, powers and responsibilities for full council, the Council Executive (12 elected members) and the Education Executive (18 elected members) and its other governance bodies. This includes its other main committees and subcommittees, policy development and scrutiny panels (PDSPs) and local area committees ([Exhibit 5, page 17](#)). All committees, including the Executive, have members from the different political parties, although membership does not reflect the overall make-up of the council.

Exhibit 5

Governance arrangements

West Lothian Council has a number of scrutiny panels but these lack the formal powers of council committees.



Source: West Lothian Council

36. The present decision-making structure was introduced in 2007. The main structural changes since the last Best Value report in 2005 were a reduction in the number of policy-making committees and subcommittees and the introduction of PDSPs. The PDSPs do not have voting rights. They can and do include representatives from community bodies and the trade unions alongside the seven councillors on each one. The PDSPs support development of new policies for the council and scrutinise how existing policies are working to consider where changes are needed. They also consider service performance reports during the year, which allows them to scrutinise officers in their implementation of policy decisions. PDSPs are not decision-making bodies like council committees and they make recommendations to the Council Executive or Education Executive to inform their decisions.

37. There are risks to effective scrutiny however, as the current membership of the PDSPs is such that most have a majority of councillors from the administration, and most of those councillors are also members of either the Council Executive or the Education Executive. This means that the scrutiny functions of the PDSPs are being carried out by members of these policy making bodies. This risk is mitigated in part

as the PDSPs can include members who are not councillors and Standing Orders require that the views expressed by all members of PDSPs are reported to the Executive Committee(s).

38. Up until the 2017 elections, the chair of the Audit and Governance Committee was a member of the administration. Again, this effectively resulted in the administration leading on scrutiny of the council and, effectively, the administration itself, in audit and governance matters. Subsequent to the elections, the remit of the Committee was split into two: the Audit Committee and the Governance and Risk Committee. It is too early to tell how the two new committees will operate. There is scope for significant overlap in their remits, and currently three of the five elected members of each committee are the same. The chairs are not currently members of the administration.

39. The Performance Committee is the main committee that considers corporate performance, including central education services. Only one of the five elected members of the Performance Committee is also on the Executive. The Education (Quality Assurance) Committee (EQAC) considers the quality of performance at schools and other education establishments, primarily reviewing the results of internal and external inspection reports. Both these committees are chaired by councillors who are not members of the administration. Of the 13 elected member representatives on the EQAC, 11 are also on the Education Executive responsible for approving recommendations made by the EQAC.

40. The appointed auditor made a number of recommendations relating to governance arrangements in the 2016/17 Annual Audit Report. These included formalising some arrangements and ensuring that councillors from outside the decision-making committees have enough involvement in scrutinising council decisions. In response, the council has asked officers to review the Scheme of Administration and to bring advice and suggested changes to a subsequent council meeting.

The council has appropriate risk management procedures but it could better report and manage strategic risks

41. The appointed auditor has reported in the Annual Audit Report that the Audit, Risk and Counter Fraud Manager fulfils a role both as head of internal audit and also risk manager. This has the potential to create a conflict of interest. This risk is mitigated by management who ensured that the internal audit of the council's risk management process during 2016/17 was undertaken by another local authority's internal audit team, as part of a partnership arrangement.

42. This audit of risk management resulted in a positive report on how the council manages risks within services. It concluded that its risk management framework outlined appropriate processes for managing risks. However, the appointed auditor has reported that members did not have oversight over risks or how they are being managed. Risks were not reported to, or monitored by, the council or a council committee, for example the former Audit and Governance Committee. Good practice (as defined within Best Value Guidance) recommends that councillors should have visibility of risks to allow robust scrutiny and challenge to management on the appropriateness of these risks and how they are being managed.

43. The revised committee structures are designed to allow greater focus on risk management within the council. The council has said that the corporate risk register for high and strategic risks will be a standing item on the Governance and

Risk Committee's agenda. If the risk register is appropriately considered by the committee, this will strengthen scrutiny of how the council is managing strategic risks.

Effective challenge and scrutiny is dependent upon all councillors

44. Between the May 2017 election and late September 2017, the SNP delayed nominating councillors to join several PDSPs and committees, including three of the key scrutiny committees (the Performance, Audit, and Governance and Risk committees). The SNP has now nominated a member of the Audit Committee but has yet to announce councillors to sit on the other two committees. There are risks to the effectiveness of committees if all positions are not taken up. It is incumbent on the council as a whole, including all councillors, to ensure that the statutory duty of Best Value, including effective scrutiny, is fulfilled.

45. The council offers training to elected members through the year. It held 19 events during 2016/17. The content of training was broad and covered a range of subject matters corresponding to the breadth of responsibilities held by elected members. Special interest events, specific to councillors sitting on PDSPs or of a personal interest, were generally attended by less than a third of councillors, but around two-thirds of councillors attended some of the more general training events.

46. Following the May 2017 elections the council provided induction training for new and returning members. During the course of our audit work we met with elected members from the three major political groupings, including returning and newly elected councillors, and all were positive about the nature and extent of the training provided. Senior officers in the council respond to members when they have queries and also provide informal briefings. This includes the Head of Finance and Property Services, or the finance member of staff assigned to each political grouping, responding to requests. The council's human resources team are in the process of developing and progressing individual training plans and records of training undertaken for members.

Councillors need to play a more active role at committees and PDSPs to provide effective scrutiny

47. At committee and PDSP meetings, we observed limited challenge and enquiry from members to performance information reported. We recognise that these meetings were mostly shortly after the election, and a number of members were new. A review of minutes showed a lack of evidence recorded of any challenge and scrutiny which may have occurred at other meetings. Robust challenge and involvement from elected members in driving improvement of council performance at a corporate level, linked to the council's priorities, is a key element of a commitment to delivering Best Value.

48. According to its remit, the focus of the Performance Committee is considering the council's corporate performance, including ensuring that performance management arrangements cover Best Value considerations. In practice, we observed that there has tended to be more focus on service performance reports than overall corporate performance reporting. At the time of this report, council officers were planning to review how to improve reporting and scrutiny of corporate performance. Following a recommendation in the Annual Audit Report, the council plans to record more detailed minutes of questions and discussions at the Performance Committee.

Part 2

How well is the council performing?



Overall, outcomes for the community are improving, and performance relative to other councils is strong

West Lothian Council is performing well compared to other councils, showing an improvement in relative performance in recent years and maintaining high performance in particular service areas.

The council engages in a lot of good improvement activity, and has effective systems for managing performance. It regularly reports progress against planned actions and targets.

The council recognises there are areas where services need to improve further. It could set out more clearly the levels of performance and specific outcomes it hopes to achieve to help meet its priorities. This would help the council better monitor and consistently report progress in these areas.

West Lothian Council has continued to perform well compared to other councils

49. West Lothian Council is performing well as measured by the council's results across a range of national data. The corporate plan and supporting strategies run for a five-year period and provide insight into performance over the longer term. Annual service plans show progress against the previous year's plans.

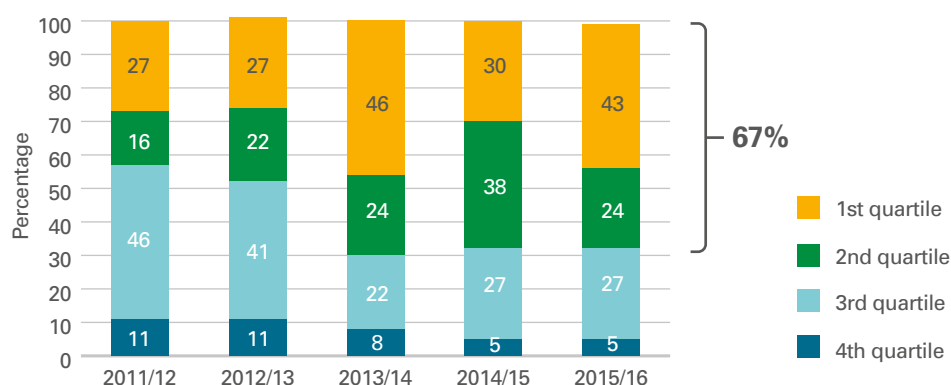
50. National indicators show the council's performance has improved in the last five-years compared to other councils. The outcomes-focused indicators from the Improvement Service's Local Government Benchmarking Framework (LGBF), that is those measuring performance rather than cost, show the following:

- In 2015/16, around 67 per cent of the council's performance indicators were in the top two quartiles, a significant increase from 2011/12 (43 per cent).
- Forty-three per cent of indicators are now in the top quartile.
- In the same period the council has also reduced the number of indicators in the bottom quartile, where they were among the poorest performing councils, from 11 per cent to only five per cent ([Exhibit 6, page 21](#)).

Exhibit 6

Comparing West Lothian's performance over time

The percentage of recurring outcome-focused performance indicators in the top two quartiles has increased from 43 per cent of indicators in 2011/12 to 67 per cent in 2015/16.



Note: This analysis is based on 37 single-year outcomes based indicators reported as part of the LGBF every year within the period. Comparing council performance involves considering how all councils are performing for each indicator. Relative performance against other councils is divided into four equal bands, or quartiles. The first quartile contains the best performing councils for that indicator and the fourth quartile contains the poorest performing councils.

Source: Audit Scotland; and *Local Government Benchmarking Framework*, Improvement Service, 2015/16



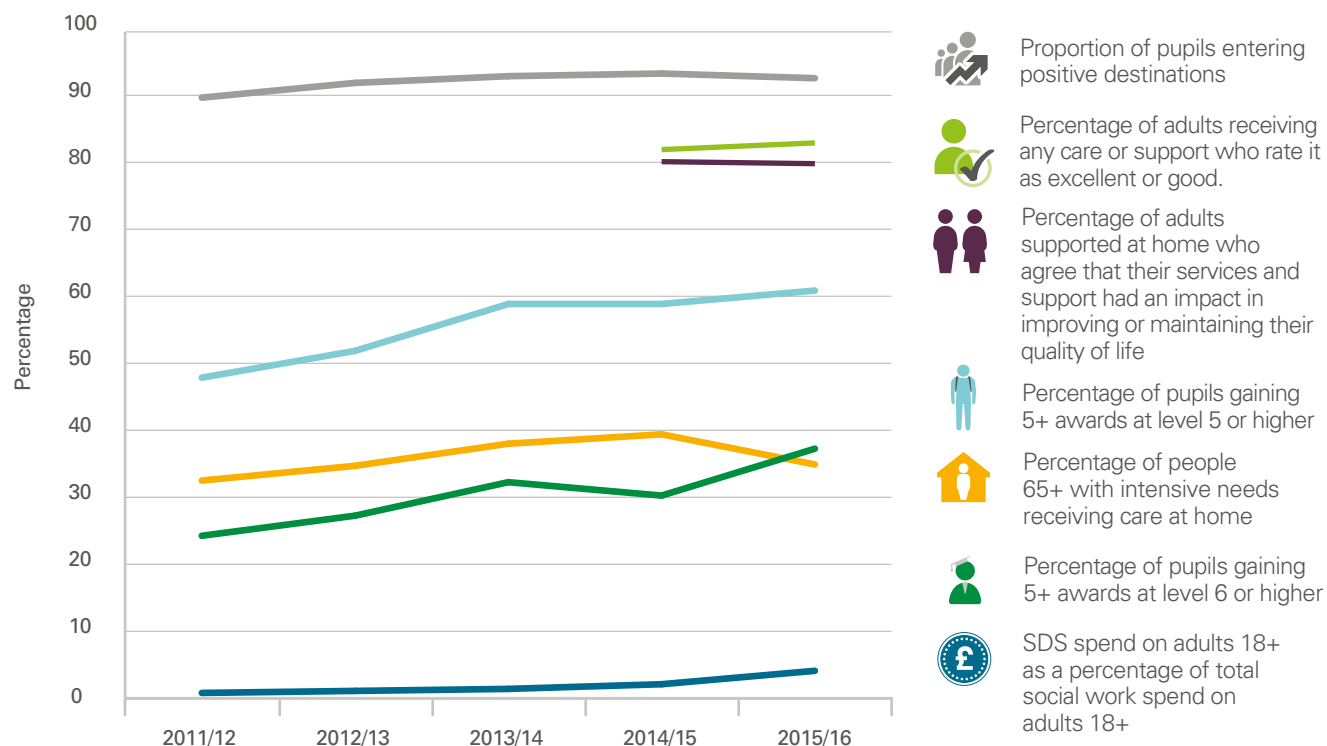
51. While performing well as a council, there is some mixed performance across individual services. There has been an increase in most education indicators, with improving educational attainment meaning West Lothian now outperforms the Scottish average. The overall percentage of pupils entering a positive destination, such as further education, training or employment, also increased between 2011/12 and 2015/16, although this decreased between 2014/15 and 2015/16 and is now below the Scottish average. In recent years, there has been a marked increase in educational attainment and the councils' results compare favourably to similar councils. Compared to the seven other councils in its benchmarking family group, West Lothian Council is within the top two councils for most education indicators.¹

52. Within social work services there was an increase in the proportion of eligible adults receiving access to Self Directed Support funding and in the number of adults rating the care they receive at home as good or excellent. Both of these measures, however, remain below the Scottish average. Conversely, the proportion of elderly residents with intensive needs receiving care at home has reduced but remains above the Scottish average ([Exhibit 7, page 22](#)). The council is working to support more people to get care at home and to remain at home for longer. In recent months, however, the number of people experiencing delays to being discharged from hospital has increased. The most recent data shows that West Lothian had more people delayed than over two-thirds of other councils, and more people are experiencing delays of over three days.²

Exhibit 7

Trends in selected education and social work indicators, 2011/12 to 2015/16

The majority of education indicators have been improving but social work performance has been mixed.



Notes:

1. Data is not available for all indicators for 2011/12 to 2015/16.
2. Definitions of each indicator can be found at [Endnote 3](#).

Source: Audit Scotland; and *Local Government Benchmarking Framework*, Improvement Service, 2015/16



53. The Care Inspectorate recently led a joint inspection of services for children and young people in West Lothian. This aimed to assess the range of services available to children across West Lothian from a range of organisations, and the difference these services are making to the lives of children, young people and families. The review identified a number of strengths in services delivered by the council and its partner organisations ([paragraph 107](#)).

The council has effective systems for managing performance

54. National comparisons show generally high levels of performance across services in West Lothian. This suggests that the council's performance management framework is operating effectively, and it has effective systems for managing performance. The council uses the Pentana performance management software (previously called Covalent) as its central performance management system. As well as reporting performance, Pentana allows the council to set and review targets and highlights if performance is below target.

55. The council has reviewed progress against the corporate plan and strategies during the last five-years and developed scorecards to show whether it is meeting selected targets. It uses these scorecards to monitor progress, and the results are reported to relevant PDSPs. A review of the corporate plan was

reported to the Partnership and Resources PDSP on 1 April 2016. This included an overview of progress against what the council said it would deliver in the corporate plan. A scorecard showing the status of corporate performance indicators broken down by the eight corporate priorities was also reported.

56. The review indicated that the council was making good progress and had met most of its agreed performance measures. Across the 90 commitments and 141 performance indicators in the corporate plan scorecard, 14 were assessed as amber (failing to meet their target) and nine as red (significantly below target). The council published a review of its performance to the end of the current corporate planning period (2012 to 2017) which was delivered to all local homes and businesses.

The way the council monitors and reports its performance does not always clearly demonstrate the impact of services on local people

57. The council has developed a wide range of performance indicators and scorecards for each service area and for the corporate plan. The corporate plan scorecard links performance indicators to individual services, while service management plans link performance indicators to specific corporate priorities. This provides a high-level link between performance at corporate and service level. However, the indicators at the different levels are not always the same measures, and there is a lack of clarity around how service level performance indicators tie in with corporate plan performance indicators. This makes it difficult to see how service level performance impacts on the council's priorities and vision. The council could also set out more clearly the levels of performance and specific outcomes that it aims to achieve to help meet its priorities.

58. Performance is monitored by management and reported to members through a number of routes. The EMT reviews the annual service management plans which detail key achievements and actions from the previous year, as well as progress against performance indicators. This gives senior officers an opportunity to assess overall council performance in the previous year and identify where services have not met targets. Each PDSP has the opportunity to scrutinise management plans and performance against prior years and annual targets. This depends on the effectiveness of elected member scrutiny, as we discuss in [Part 1](#).

The council publishes a range of performance information in accessible formats but could further improve the content by providing information on trends and targets

59. An annual performance report is publicly available for each council service, detailing progress against performance indicators and council targets. These include trend charts, normally covering a five-year period, and comment on factors that have influenced the trend in performance. The reports contain indicators under four broad categories: customer results; service standard; efficiency; and effectiveness. Presenting indicators across all four categories is an effective way of providing a comprehensive overview of service performance. Where available, the council includes information on comparator authorities to provide additional context on the council's performance.

60. The council's flagship public performance reporting document is *Factfile*. Published annually, this presents selected performance aligned to the eight corporate priorities. As we reported in 2005, the council's public performance reporting tends to focus on positive aspects of performance, only highlighting positive changes,

or high-profile investment, rather than also including areas for improvement. The document has been refined each year and is easily understood, using design features such as infographics to explain how the council is performing.

61. In addition to this annual report, prior to the 2017 election the council provided an end of term report on performance within their quarterly newsletter *Bulletin* (**Exhibit 8**). This is printed and delivered to every household and also available online. The council website can translate documents into a range of languages, audio output and can resize content, helping to ensure that performance information is available to people with specific needs. The subset of performance published in *Factfile* (and the 2017 end of term report) does not refer to targets or how specific council actions have contributed to improved performance. This can make it difficult to assess how the council is contributing to improving outcomes.

Exhibit 8

The council provides summary performance information to the public

The information is provided in accessible format but would benefit from the inclusion of targets and trend information to illustrate how the council is performing.



Source: An extract from *Priority 4: Improving the quality of life for older people, Bulletin Spring 2017*, West Lothian Council, 2017

62. As well as *Factfile*, the council makes a range of performance information available on its website relating to service performance and linked to themes identified within the corporate plan. Although the council publishes comprehensive performance information, the main public performance publications report mainly on key achievements and investments under each corporate priority. Little information on trends and targets is provided to inform the public and to support scrutiny of annual changes in performance.

Part 3

Is the council using its resources effectively?



The council has managed its finances well but must address significant challenges as it refreshes its financial strategy

The council has robust financial management arrangements. However, it faces a significant funding gap of £73.5 million over the next five years. Savings are currently being identified but some significant changes to service delivery are required and these may be difficult to deliver within the timeframe required.

The council has significant usable reserves, notably in its capital fund. But low levels of uncommitted reserves could reduce its ability to react to unexpected changes in circumstances. Although debt is increasing, the cost of making interest and capital repayments remains relatively low compared to other councils.

The involvement of councillors will be key to ensuring the council can identify savings and drive improvement to address the funding gap. Councillors need to take the lead in determining priorities and scrutinising budget saving proposals to ensure these can be delivered in the required timescale, particularly in 2018/19.

There is a longstanding issue within the council around high levels of sickness absence and the council should look at how it can address this as soon as possible.

The council has established robust financial management arrangements

63. Existing financial management arrangements within the council are robust. The council has processes to ensure that financial performance is scrutinised at both operational (service) level and through to the EMT. Financial performance is reported to the Council Executive throughout the year. Council officers lead a Modernisation Board and a Programme Change Board to oversee the delivery of savings programmes.

64. The council set a balanced budget of £435.7 million in 2016/17 and reported an underspend against budget of £1.8 million (0.4 per cent). This was primarily due to additional funding of £1.7 million received near to the end of the financial year, which has been earmarked for use in 2017/18.

65. During 2016/17, officers provided in-year budget monitoring reports that included forecast outturn to the Council Executive on a regular basis. There were no major fluctuations in the outturn projections provided to members during the year. This demonstrates tight financial control, an understanding of the budget and good in-year management of financial pressures. Actions to address service pressures were included in monitoring reports, enabling members to have appropriate oversight of how these were being managed.

The council maintains a low level of uncommitted reserves although overall its usable reserves are high

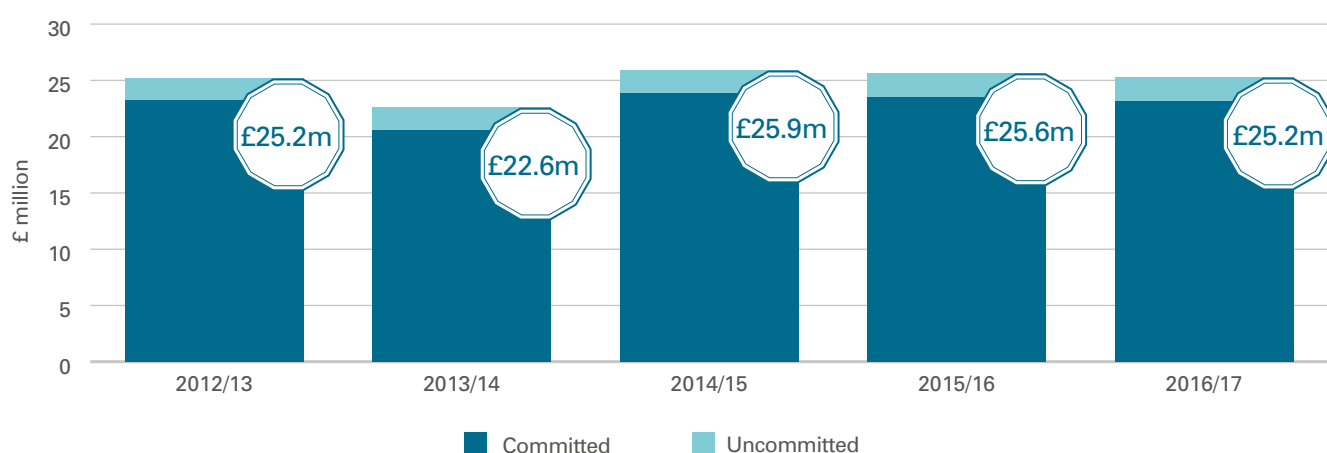
66. The council's level of usable revenue reserves as a percentage of net expenditure on cost of services has been maintained over the last five years. In addition, the council operates a separate insurance fund as well as its requirement to maintain the housing revenue account. Total usable revenue reserves represent about eight per cent of expenditure on net cost of services.

67. In line with its reserves policy, the council has uncommitted general fund reserves of around £2 million (representing approximately 0.5 per cent of net expenditure) (Exhibit 9). This is one of the lowest uncommitted General Fund balances in Scotland and could impact on the council's ability to react to sudden or unexpected changes in circumstances. In response to a recommendation from the appointed auditor to consider whether its target level of uncommitted reserves remains appropriate, the council stated that it still believes this is the case. It also stated that it will continue to review this as part of the budget-setting process.

Exhibit 9

The council's General Fund

The council has maintained the level of General Fund reserves that it holds although only around £2 million of this has not been committed to specific projects.



Source: West Lothian Council's audited accounts 2012/13-2016/17



68. The council has established a significant capital fund in recent years. This amounted to £88 million at 31 March 2016 and £65 million at 31 March 2017 as the fund was used to support the council's significant capital investment activity. This

has reduced the amount of additional borrowing required at this time. Total usable reserves, including both capital and revenue funds, totalled around £104 million at the end of 2016/17.

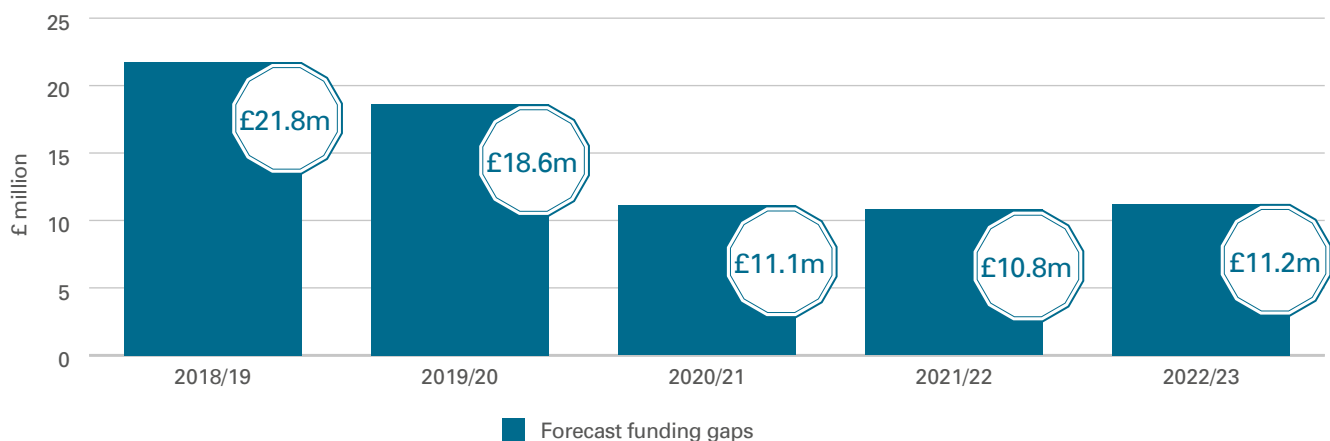
The council faces a significant funding gap of £73.5 million over the next five years

69. As requested by councillors in February 2017, management submitted a paper to the Executive of the newly elected council in June 2017 outlining the forecast budget gaps for the forthcoming five years. This reported that the forecast funding gaps total £65.7 million over the period. In September 2017, this forecast was updated to £73.5 million due to changes in the assumptions on pay rises. Fifty-five per cent of the savings are required in the first two years ([Exhibit 10](#)).

Exhibit 10

West Lothian's forecast budget gap

Over the next five years the council is facing a projected budget gap of £73.5 million.



Source: West Lothian Council, September 2017



70. The forecast budget gap is based on a model with the following key assumptions:

- a three per cent annual council tax increase which, coupled with the house building programme in the area, results in the majority of the increase in forecast income
- further reductions in the expected single year Local Government finance settlements in 2018/19 and 2019/20, followed by increases in the next three years
- a 2.0 per cent pay rise assumption in the first two years and 1.5 per cent thereafter resulting in staff costs increasing by £27.3 million. This assumption was revisited following announcements by the Scottish Government in September 2017 about public sector pay and the potential impact of this on the council. This changed the forecast figure, increasing it by around £7 million from the £66 million that the council had reported previously.

71. Demographic pressures and increasing demands for services account for £28.4 million (38.6 per cent) of the estimated budget gap to be addressed. This is heavily weighted to social care costs, driven by a rise in older residents.

72. The council has successfully delivered over £35 million of savings over the last three years, demonstrating that it can meet financial challenges. However, management recognise that delivering further savings will be increasingly challenging.

73. Due to statutory requirements and central government targets, there is historically less flexibility to make savings in education and social work than in other service areas. Most interest costs are also relatively fixed for councils. Compared to other councils, West Lothian Council spent a high proportion of its total spending on these three areas in 2015/16.⁴ This means the council needs to generate savings across areas that impact on customer facing and statutory services. Council officers have identified around half of savings proposals as being difficult to deliver, either operationally or strategically.

The council has been reducing the length of its budget forecasts in recent years but is now refreshing its financial strategy for the next five-year period

74. The Accounts Commission has stressed the need for long-term financial strategies, supported by medium-term financial planning, so that councils can respond to the acknowledged demographic and fiscal pressures. West Lothian Council prepares its financial strategy to cover the same period as the corporate plan, which currently covers 2012-17, in line with the timing of local elections. There is strong evidence of the council delivering this financial strategy over the last five years, and of it using the results from public consultations when setting its budget.

75. The council set multi-year indicative budgets over the period covered by the current financial strategy. For example, in January 2015 it set a budget for the three-year period 2015/16 to 2017/18, ie including the current financial year. This represented good practice.

76. In setting the 2017/18 budget, however, only a one-year budget was approved. Alongside the budget, members agreed to officers developing a corporate and financial plan for the period 2018/19 to 2022/23, to be considered after the May elections. During the 2017/18 budgets-setting process, officers presented members with an overall outlook for local government finance. But while the council's EMT had initially considered a financial context report in June 2016, the budget papers did not report on the early estimates of the likely budget gaps for the council over the next five years. The council was in a minority of local authorities that did not provide this information to members at this time.

77. Members committed £2.2 million of reserves to support one-off spending in 2017/18 as part of balancing the budget, without full knowledge, through the budget papers, of the scale of the estimated future funding gap facing the council. There is a duty on council officers to provide all members with an understanding of the financial position in which they operate and the future challenges faced in order to reduce the risk of short-term decision-making.

78. Councillors, however, have indicated that they had been briefed on the size of potential budget gaps and have no concerns around the information provided to them on this. They feel there is good engagement and open communication between officers and members around the financial position of the council.

Councillors from all political groupings need to be more involved as the council plans how it will make savings to close the budget gap

79. Councillors on the Council Executive approved a process in June 2017 such that the EMT would develop savings proposals and report back in early autumn 2017, outlining their plans for public consultation. In September 2017, the Council Executive considered an update from officers. This set out the revised estimated budget gap of £73.0 million (since further revised to £73.5 million). It also set out plans for the public consultation which ran from 16 October to 12 November 2017.

80. Results from the public consultation will be reported to the relevant PDSPs for consideration in December 2017. This will be members' first formal involvement in the process for agreeing council priorities and considering savings proposals, although members will have been working with officers in their individual party budget groups since the consultation went public. The council's new five-year corporate plan and supporting corporate strategies, including the financial strategy, are due to be approved in February 2018.

81. The process of public consultation prior to the formal involvement of members in the savings and efficiencies process is similar to the approach taken by the council in 2012. Savings were subsequently delivered over the course of the 2012-17 corporate plan. However, with further significant savings now required, and potentially difficult decisions to be made, earlier involvement by councillors in identifying priorities would have reduced the significant risk to the council of failing to deliver savings in the required timescales, particularly in 2018/19.

82. The council has no history of a cross-party group bringing together councillors from all political parties to consider budget proposals. Officers work closely with councillors to discuss the impact of savings plans in detail outwith committees, but this does not allow formal scrutiny of the plans. While each PDSP has a slightly different remit, they would appear to be the appropriate panel to scrutinise proposed savings plans for their relevant service areas, prior to them being passed to the Council Executive for approval. This would demonstrate good practice that there has been robust scrutiny of savings plans.

83. To prepare the new corporate plan, the council is analysing the administration manifesto alongside the proposed corporate priorities to demonstrate links between the two. There is an inherent risk in not consulting with councillors from all political groupings at this stage, especially with a minority administration, as there may not be a consensus that the correct priorities have been identified.

84. The budget-setting and financial planning process clearly considers the impact of budget proposals and savings plans on how the council operates. The council needs to do more to ensure that, when councillors scrutinise the budget savings that the council is delivering, they also consider how these are affecting service performance. Once savings plans are approved, financial performance is scrutinised by the Council Executive and the Audit Committee independently of performance information which is reported through PDSPs. More coordinated reporting would aid effective scrutiny.

The council is investing in assets in line with its strategic priorities

85. The council has invested significantly in capital infrastructure such as schools and partnership centres which aligned to its priorities. By the end of 2017/18, the council will have invested around £257 million over the lifetime of the five-year general services capital programme. The council approved its asset management strategy in 2013, for the period 2013/14-17/18. The strategy was aligned with the period of all the council's strategies and set a high-level framework for managing the council's assets in line with its priorities.

86. Key elements of investment during 2016/17 and 2017/18 include the following:

- Schools estate programme major projects and annual improvements expenditure of £37 million, including a new primary school in South Armadale and development works for the new West Calder High School.
- £43 million investment in operational buildings, including £20 million in the Whitehill Service Centre.

87. The council has a good record of delivering on its capital programme and responding flexibly to accelerate spending where possible. To align with the next cycle of corporate planning, the council is in the process of developing a ten year general services capital plan which will be phased for years 1-5 individually (2018-23) and then years 6-10 as one phase (2024-27).

88. In response to the needs of the community, the council has embarked on an ambitious 1,000 new-build council housing programme at a total cost of £115 million between 2012/13 and 2017/18. The council invested £27 million in this flagship initiative in 2016/17, although this was £17 million less than originally budgeted due to slippage or delays related to obtaining statutory consents and permissions. A housing capital budget of £77.2 million was approved for 2017/18, including £60.7 million for the remaining investment in the new-build housing programme. The 2017/18 budget partly reflects the under-delivery in the new-build programme to date. Funding of the house building programme is predominantly through borrowing of £53.5 million, with final right to buy sales generating £5.6 million. The retention and growth in council housing will significantly increase rental income in the future and, in accordance with the business plan, is designed to support the cost of servicing the increased debt.

The council has an affordable level of borrowing

89. At 31 March 2017, the council's total short and long-term borrowing was £604 million. This consists of loans of £535 million from the Public Works Loan Board (PWLB) which provides loans to local authorities, and £69 million of market loans. In addition, the council has long-term liabilities relating to two schools' public private partnership (PPP) finance leases of £63 million. The council has short-term investments and cash totalling £140 million.

90. The council's policy is to limit variable rate borrowing to a maximum of 35 per cent of all borrowing although currently almost 100 per cent of borrowing is at fixed rate. The council holds significant short-term investments totalling £125 million at 31 March 2017. This is invested in line with the investment strategy approved annually by the council in the Treasury Management Strategy.

91. Although the council's net external debt has been increasing in recent years, and the costs of servicing this debt has also increased, debt levels remain relatively low. General Fund debt is approximately the same as the council's annual income, placing it within the middle third of Scottish councils on this measure, and the cost of interest and debt repayments is relatively small compared to other councils. The council has accelerated elements of borrowing to fund the 2017/18 capital programme while interest rates continue to be low. The capital fund will be used in future when rates are forecast to rise.

The council has high levels of sickness absence but is working to improve this

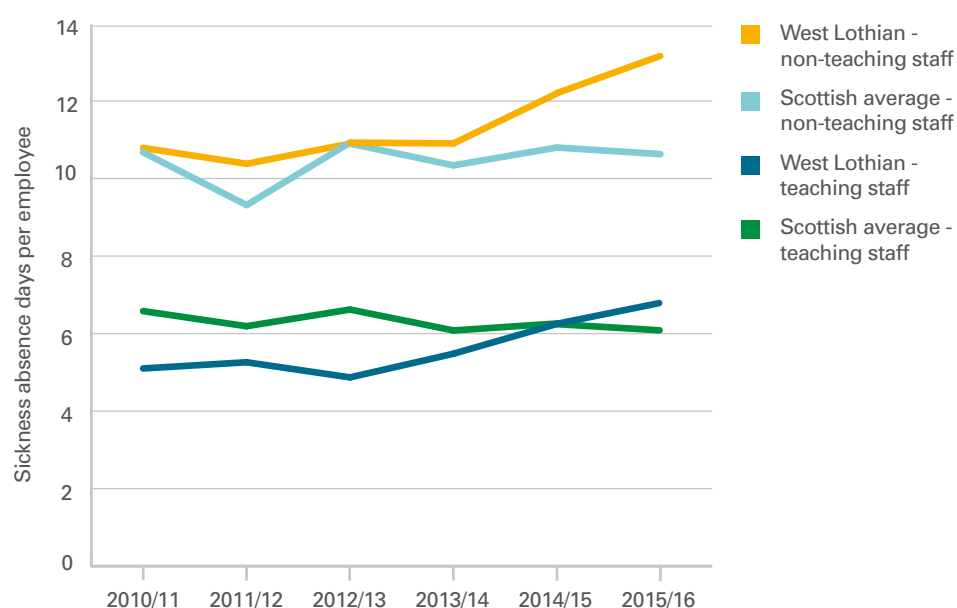
92. In 2011 and 2012, the council approved revisions to its Policy and Procedure on Sickness Absence Management. These revisions provided additional limited discretion to extend the scope of circumstances in which certain absences could be disregarded. Disregarding the absence means that, under certain circumstances, the absence will not result in the employee progressing along the sickness absence procedures. The absence, however, still counts towards the council's overall absence rate. West Lothian is the only council in Scotland with a disregard policy in relation to sickness absences.

93. Since these changes were approved in 2012/13 the council's sickness absence rate has risen year on year. West Lothian Council is now one of the councils with the highest rates of sickness absence. An increasing proportion of the days lost to sickness absence are due to long-term absences that are covered by the disregard policy. Levels of sickness absence are higher than comparable councils and are now higher than the Scottish average for both teaching and non-teaching staff ([Exhibit 11](#)).

Exhibit 11

Sickness absence

The average number of staff days lost due to sickness absence is higher in West Lothian than the Scottish average.



Source: Audit Scotland; and *Local Government Benchmarking Framework*, Improvement Service, 2015/16



94. Management are aware of this deteriorating position and have taken a number of mitigating actions to try to improve performance. These have included refresher training for line managers, a standing item on management team agendas and quarterly reports going to the Policy and Resources PDSP to ensure that there is active monitoring of performance. Human Resources also provide dashboard reports to individual services to monitor performance and raise this as an area of focus at all staff levels.

95. The council are now actively engaging with other councils to identify how they can better manage sickness absence and with trade unions to discuss the implications of introducing a new procedure. Since this represents approved council policy, officers are also discussing the issue with councillors as they recognise the need to ensure that any changes to procedures are supported by elected members.

The council is refreshing its people strategy and workforce plans to ensure that it has a workforce that can effectively deliver future services

96. West Lothian Council's People Strategy 2013-17 was designed to support the council's aim of improving services by acknowledging the important role that a skilled and motivated workforce plays in achieving improvements. To ensure that the council delivers the aims of the strategy, the Human Resources Programme Board was tasked with progressing and monitoring the strategy outcomes and regularly reviewing them. The strategy identified nine key activities which were completed within specified timescales and integrated into service management plans where appropriate. The refreshed People Strategy 2018-22 for the next planning cycle aims to build on the progress of the current plan by, for example, making explicit links between business, financial and workforce planning.

97. The council has progressed its workforce planning arrangements in recent years, publishing detailed workforce plans for individual services and creating a dedicated workforce group to scrutinise recruitment. If service managers identify vacancies they want to fill they must complete a form to detail the impact on performance indicators and services if the vacancy is not filled. The EMT has the final decision over whether the vacancy is to be filled. This centralised process allows the council to manage its workforce effectively. Following councillors approving the new corporate plan and savings proposals, the council must ensure that workforce plans are aligned to them and refreshed regularly.

98. In the last five years the council has maintained staffing levels at around 8,000 people (over 6,500 full-time equivalent staff). There have been no compulsory redundancies but staffing levels have partly been managed through a voluntary severance scheme for staff. In 2016/17, 42 staff left under the scheme, at a cost of £0.95 million, bringing the total leaving over the five-year period to 170 staff at a cost of around £4.5 million.

Part 4

Is the council working well with its partners?



There is good evidence that the council is working well with its main partners to support local communities

Partnership working between the council and other agencies is well developed and available indicators suggest that it is having a positive impact in the area.

Services for children and young people which are delivered by the council and its partners have recently received a positive inspection.

A number of partnership centres enable citizens to access a range of services delivered by the council and its partners in a single location which is designed to meet local needs.

An arm's-length external organisation (ALEO) provides leisure and cultural services in West Lothian. The council must assure itself that the governance arrangements for the ALEO are appropriate and allow sufficient oversight and scrutiny of finances and performance, and with information reported publicly where possible.

There is a history of effective partnership working within the West Lothian area

99. The council is part of West Lothian's CPP. In the 2014 audit of West Lothian CPP, the Accounts Commission identified a long-standing and strong tradition of partnership working within West Lothian. Representatives from Police Scotland and Scottish Fire and Rescue Services regularly report to councillors on performance across a range of indicators at council level (to the Services for the Community PDSP) and provide more detailed local information to the council's nine Local Area Committees.

100. There are clear links between the council's corporate plan and the CPP's Local Outcomes Improvement Plan; they share a common purpose and there are links between their identified priorities. The current corporate plan includes a specific workstream identifying partnership working as a focus for the council:








'Working with partners to deliver outcomes: The council will explore opportunities to integrate certain services in order to provide services that are effective, flexible and affordable. A key consideration will be providing services in a more efficient way which would reduce the amount of duplication in support services and management.'

101. West Lothian's performance across a range of indicators over the decade from 2004/05 to 2014/15 suggests the council and CPP are having a positive impact, with improvement across nine of the 16 Community Planning Outcomes Profile indicators. Nine of the indicators also compare favourably to Scotland ([Exhibit 12](#)). Significant improvements were achieved in increasing local wage levels and reducing crime statistics. However, there has been a downwards trend in performance indicators relating to the health of local citizens.

Exhibit 12




























Community Planning Outcomes Profile indicators, 2004/05 and 2014/15

West Lothian has generally improved across the majority of indicators and, in 9 of the 16, the performance improvements in West Lothian over the period were better than the trend for Scotland as a whole.

Indicator	West Lothian trend	Compared to Scotland
 <p>The percentage of babies with a healthy birth weight in West Lothian increased by 1.2 percentage points to 91.3 per cent, compared to a national increase of 0.9 percentage points to 90 per cent across Scotland.</p>	✓	+
 <p>The rate of Primary 1 children with a healthy body mass index in West Lothian decreased by 1.5 percentage points, compared to a national increase of 1.6 percentage points across Scotland.</p>	✗	-
 <p>Emergency admissions for people aged 65 and over per 100,000 of the population increased by 13.8 per cent in West Lothian which was almost double the rate of increase across Scotland (7.3 per cent).</p>	✗	-
 <p>West Lothian experienced a higher proportion of unplanned hospital attendances compared to the national average. For instance, unplanned hospital attendance rates per 100,000 people increased by 13.5 per cent in West Lothian, compared to a national decrease of 3.3 per cent.</p>	✗	-
 <p>Early mortality rates in West Lothian decreased by 7.6 per cent, compared to a national decrease of over 14 per cent.</p>	✓	-
 <p>Fragility (a weighted combination of three indicators: de-population, rural de-population and old age dependency ratio) increased by almost 4 per cent in West Lothian, compared to a 1 per cent increase across Scotland.</p>	✗	-
 <p>S4 tariff score in West Lothian increased by 20 per cent, compared to a national increase of 15.1 per cent across Scotland. West Lothian's scores were above the national average in 2014/15.</p>	✓	+

Cont.

Exhibit 12 continued

	Indicator	West Lothian trend	Compared to Scotland
	The percentage of school leavers entering positive destinations in West Lothian increased by over 17 percentage points to 93.4 per cent, compared to a national increase of 8.7 percentage points across Scotland. In 2014/15, West Lothian was above the national average.		
	The employment rate in West Lothian decreased by 0.4 percentage points to 76.5 per cent, compared to a national increase of 0.1 percentage points across Scotland but was still above the national average in 2014/15.		
	Median weekly earnings for CPP residents who are employed in West Lothian increased by 29.9 per cent over the ten-year period, compared to a national increase of 27.8 per cent. Median weekly earnings in West Lothian were above the national average in 2014/15.		
	The rate of those claiming out of work benefits in West Lothian decreased by 3.4 percentage points to 15.9 per cent, compared to a national decrease of 2.1 per cent, with the Scottish average at 16.2 per cent in 2014/15.		
	The rate of survival for newly born enterprises decreased by 3.1 percentage points to 65 per cent, compared to a national decrease of 5.4 percentage points to 62.8 per cent over the period.		
	The rate of carbon emissions (tonnes per capita) in West Lothian decreased by 30.7 per cent, compared to a national decrease of 34.8 per cent across Scotland.		
	Total crime decreased by over 46 per cent in West Lothian to 426 crimes per 10,000 of the population, compared to a national decrease of over 44 per cent with 479 crimes per 10,000 of the population in 2014/15.		
	The number of dwelling fires in West Lothian increased by 4.2 per cent over the ten-year period, compared to a national increase of 12.5 per cent.		
	Child poverty in West Lothian decreased by almost 6 percentage points to 15.9 per cent and was below the 2014/15 national average of 17 per cent - a 4.9 per cent decrease across the ten-year period.		

Source: Audit Scotland; and *Community Planning Outcomes Profile*, Improvement Service, 2014/15

A number of services from across partners have been located in partnership centres

102. One way that the council is enabling joint working is through co-locating services. As well as the shared Civic Centre campus, where among others the council, Police Scotland and Livingston Sheriff Court are located, eight Partnership Centres are either operational or currently being developed ([Case study 2](#)). These provide a central point for customers to access a range of services. The centres are tailored to specific local needs and requirements. They provide different services and have been delivered in different ways.

Case study 2

Partnership Centres in West Lothian



West Lothian Council has three partnership centres, and plans for another five

Current centres:

- Bathgate Partnership Centre: A wide range of council services are located within the partnership centre, as well as the management committee led Bathgate Community Centre.
- Fauldhouse Partnership Centre: A newly constructed building housing council services, leisure facilities and other services including a GP practice, pharmacy and Jobcentre Plus.
- Strathbrock Partnership Centre (Broxburn): Hosts a range of social and healthcare facilities provided by the council, NHS Lothian and the voluntary sector.

Planned centres:

- Blackburn Partnership Centre: This is due to open in late 2017, providing services by the council, NHS and other partners. NHS Lothian was the lead partner in financing and constructing the centre.
- East Calder Partnership Centre: Work is under way on a new facility which will house services such as a library, community centre and services to support access to work.
- Linlithgow Partnership Centre: The County Buildings are being redeveloped to accommodate a range of council services, including the library and customer information services. Police Scotland will also relocate from the existing police station.
- Whitburn Partnership Centre: Plans have been developed to transform the Burgh Halls into the primary civic building with plans for complementary facilities to be located in the community centre. Plans include a new library and a location for customer information services.
- Armadale Partnership Centre: Plans are in place to extend and adapt the community centre to accommodate Early Years, customer information services and housing services at the centre, with further proposals to develop a youth space at a separate location.

Source: Audit Scotland and West Lothian Council

The West Lothian Integration Joint Board is operational and now needs to ensure it is leading integrated services

103. The Public Bodies (Joint Working) (Scotland) Act 2014 established the legal framework for integrating health and social care in Scotland. The West Lothian Integration Joint Board (IJB) was legally established on 21 September 2015 and from 1 April 2016 took on the relevant functions and resources delegated to it from both the council and NHS Lothian. One of the three council deputy chief executives is the Chief Officer of the IJB and is jointly responsible to both the Chief Executive and the Chief Executive of NHS Lothian.

104. The IJB has developed a 10-year strategic plan covering 2016-26, in conjunction with the IJB Strategic Planning Group. Key stakeholders include the council, NHS Lothian, charity and voluntary groups, health and social care professionals and staff trade unions. Representatives of service users and carers were all represented on the planning group. The strategy links to the council's current corporate plan and 'Our Health, Our Care, Our Future', NHS Lothian's Strategic Plan 2014-24. The council has delegated a number of social care services to the IJB but children's social work services remain the council's responsibility.

105. The IJB has developed its strategic plan, and now needs to ensure that it is integrating services to improve outcomes for the people of West Lothian. The council delegated an increased budget to the IJB for 2017/18 reflecting the forecast growth in demand. Similarly NHS Lothian also made available increased resources; however, financial challenges remain in achieving break-even. The IJB is committed to working with its parent organisations in developing a medium-term financial strategy to help deliver its strategic plan.

106. A number of the savings options that the council is proposing to address its funding gap relate to the social care services now delegated to the IJB. The Chief Officer of the IJB (as a council deputy chief executive) and other senior council staff who work with the IJB have been involved in the design of savings options. However, the council did not have any formal discussions with the IJB about the proposals before the public consultation. Council savings in these areas will directly impact on how the council will deliver services on behalf of the IJB, and on the budget delegated to the IJB in future years. Earlier engagement with the IJB on proposed savings would help to ensure that the strategic implications for the IJB can be fully considered by both the IJB and the council.

Partners are working well together to provide children's services in West Lothian

107. The recent joint inspection of children's services led by the Care Inspectorate identified a number of ways that partners across West Lothian are working well together. Outcomes for children, young people and families have improved and there is evidence of committed leadership, a shared vision and effective joint planning arrangements. Leadership and commitment from partners, including the council, was found to be a major strength within West Lothian.

108. Inspectors also pointed to the presence of joint working across partner organisations, at both managerial and operational levels, as a significant strength within the area. Cross-partner systems for sharing information and for monitoring, managing and reporting performance are well developed. A number of initiatives that the council is involved in were highlighted as areas of good practice, and highlight the effective partnership working within West Lothian ([Case study 3, page 38](#)).

Case study 3



Partnership working to deliver services for children and young people in West Lothian

Three examples of effective joint working to deliver services within West Lothian were highlighted as good practice examples for other Community Planning Partnerships:

- **Domestic Abuse and Safe and Together:** The partnership is focused on coordinated early intervention (rather than traditional post-incident involvement). Upon launching this initiative there was strong leadership support from within the council, and councillors were actively engaged in ensuring that services delivered by different agencies were coordinated. A number of different service teams, including council staff, have been brought into a single multi-agency service to provide a range of intervention options.
- **Whole Family Support Service:** This service was developed to meet the needs of those families who had been in contact with various different services for a number of years. The council matched funding received from Big Lottery and, in April 2016, the new service was launched. A wide range of partners (including Barnardo's, Circle, Homestart, West Lothian Youth Action Project, West Lothian Drug and Alcohol Service and Children 1st) are all involved in providing support to clients. An operational management group and strategic governance group oversee activity and monitor that the service is delivering agreed outcomes.
- **West Lothian Youth Justice:** Youth Justice Services and Criminal Justice Services in West Lothian were integrated into a single Criminal and Youth Justice Service, in 2010. This has allowed youth justice services (where possible) to be extended up to age 21. Although there is a focus across the partnership on early intervention, this means that if justice services become involved then they are better able to meet the needs of children and young people.


Source: *Services for children and young people in West Lothian: Report of a joint inspection*, Care Inspectorate, August 2017

The council identified concerns about partnership arrangements with West Lothian Leisure, and has taken steps to improve these, but more can be done to improve transparency and accountability

109. West Lothian Leisure (WLL) was established in 1998 to provide a range of leisure services to the people of West Lothian on behalf of the council. During 2016, WLL became a limited company. From 1 April 2017, additional leisure and cultural services and assets were transferred from the council to WLL.

110. The West Lothian Leisure Advisory Committee is the council committee responsible for oversight of the council's relationship with WLL. In 2016/17, the council's internal auditors undertook a review of financial monitoring and reporting in relation to WLL, and made a number of recommendations for improvement. Financial information about the leisure trust is commercial in nature and so is

considered in private at committee meetings. Performance information in respect of WLL is now reported separately to the committee but is still considered in private. There may be scope to report some of this publicly.

111. During 2016/17, three councillors who sat on the WLL Board (ie directors of the company) were also members of the Advisory Committee. This effectively meant that the councillors were being asked to scrutinise decisions for which they have been responsible. The Accounts Commission's 2011 report [*How councils work: Arm's-length external organisations \(ALEOs\): are you getting it right?*](#)  states that 'the councillor or officer who scrutinises an ALEO on behalf of the council, or makes funding decisions affecting an ALEO, should not be a board member of the ALEO.'

112. Since the May elections no members of the Advisory Committee are also directors of WLL; however, the Scheme of Administration has not been changed to set out that this should not occur. In response to a recommendation from the appointed auditor, the council plans to undertake a review of governance and scrutiny of WLL by February 2018. As part of its review, the council must ensure that it can effectively scrutinise the actions and decisions of WLL. It must assure itself that governance arrangements at WLL are appropriate and functioning as intended. This has become even more important following the transfer of responsibility for culture services to WLL.

113. The council's internal auditors also reviewed the council's processes for making grants to voluntary and not-for-profit organisations, and concluded that certain aspects of these arrangements were unsound. While controls were considered effective in respect of social policy grants, there was a risk of a lack of effective oversight by members, as required information on contract performance had not been properly reported to the Social Policy PDSP. The council has since revised its processes for managing these grant awards, with responsibility now transferred from Area Services staff to officers in Planning, Economic Development and Regeneration. The new processes are in their infancy and should be the focus of further scrutiny to measure their effectiveness going forward.

The 'Accelerating Growth: Edinburgh and South East Scotland City Region Deal' has now been signed

114. The council is one of six local authorities within the Edinburgh and South East Scotland City Region Deal. The City Region Deal was approved in July 2017, with commitment from the Scottish and UK Governments to provide significant investment, along with additional investment from the councils as well as universities within the region. The council is currently involved in the process of identifying appropriate projects to be included in the deal.

115. This provides an opportunity for the council to work with its partners to use this investment to improve economic performance in the region, deliver services more effectively and tackle inequality and deprivation.

Part 5

Is the council committed to continuous improvement?



West Lothian Council has demonstrated a commitment to continuous improvement, and officers recognise that there is a need to review how services are provided to meet future demand

Since the last Best Value audit, the council has continued to demonstrate a number of strengths although some previously identified areas for improvement still remain.

Self-evaluation, through the West Lothian Assessment Model, has been central to developing the council's culture of improvement.

While the council has developed different ways to deliver services, more wide-ranging change and transformation is required. In the summer of 2017, the council established a new centralised transformation team to take this forward.

The council received a positive Best Value report in 2005 and continues to perform well, although some of the areas recommended for improvement still remain

116. In 2005, the council was subject to an audit of Best Value and Community Planning. The Controller of Audit and the Accounts Commission noted the clear and ambitious vision for the area and a strong culture and commitment to self-assessment and improvement throughout the council. They highlighted good partnership working, and the council's strong track record in delivering services focused on the needs of its communities. West Lothian's Best Value timeline is set out in the [Appendix](#).

117. In subsequent years the annual risk-based and proportionate Shared Risk Assessment carried out by Audit Scotland and other scrutiny agencies did not identify the need for a further audit of Best Value. Across this period the council has continued to perform well, and has continued to show improvement in performance ([Part 2](#)). The challenges facing local government have changed significantly since the 2005 report, and the council has done well to maintain its strong performance. However, some areas for improvement identified in the previous audit remain ([Exhibit 13, page 41](#)).

Exhibit 13

Comparing selected Best Value judgements, 2005 and 2017

West Lothian Council has continued to perform well although, despite progress, some areas for improvement that were identified in 2005 still remain.

Controller of Audit judgement 	Controller of Audit judgement 
West Lothian Council is characterised by very effective leadership and a strong culture of continuous improvement that is well embedded throughout the organisation.	The council has a well-developed culture of improvement. The EMT provides effective leadership and works constructively with elected members.
The council is open and transparent and makes a wide range of information about services and performance available.	The council continues to publish a wide range of information. <i>Factfile</i> reports a range of performance information in an accessible format.
The council's public performance reporting should show performance against targets, demonstrating tangible outcomes for service users. It should also provide a more balanced view of its performance, identifying areas for improvement as well as good performance.	As in 2005, the content could be improved by including performance against targets and trend analysis. Although this is reported elsewhere, including some of it within corporate publications would make it more easily accessible. The information selected continues to focus on well-performing areas.
Although performance management information needs to be developed further, there is evidence of good performance across a range of services.	Overall outcomes for the community are improving, and performance relative to other councils is strong.
The council has a streamlined committee structure, developed to support it in delivering the objectives identified in the community and corporate plans.	Since the last audit, the council has reduced the number of decision-making committees, and it has introduced thematic PDSPs.
The broad remits of the committees, and the overarching role of the Policy, Partnership and Resources Committee, have been successful in keeping a focus on key priorities and helping the council to combat the tendency to view services in isolation rather than from a 'joined up', user perspective.	The Performance Committee, the main committee for scrutiny of performance, receives an annual report on the council's performance. In general, however, the committee has focused on service performance reports rather than overall corporate performance reporting and has not provided council-wide scrutiny as originally intended. The council is now reviewing the role and work schedule of the Performance Committee.
Financial management is strong and budgets are clearly linked to priorities.	Financial management continues to be strong and the financial strategy is closely linked to the corporate plan.
Elected members need to develop their scrutiny role. While some scrutiny occurs in forums outwith the formal committee structure, increased scrutiny by committees would improve transparency and public accountability. The production of more consistent information about performance across all services will assist effective scrutiny.	Elected members' scrutiny and challenge at committees and PDSPs could still be more effective. The council could be more transparent in minuting the scrutiny and challenge that takes place.
The council is at an advanced stage in developing a comprehensive system for ensuring continuous improvement – the West Lothian Assessment Model (WLAM).	The WLAM is well embedded and understood within the council and, alongside the council's improvement strategy, shows the council has a commitment to self-assessment and continuous improvement.

The council has a well-developed culture of improvement

118. The council has an improvement strategy which guides how it pursues continuous improvement throughout the council. The current strategy covers 2014-17 with previous ones covering 2008-10 and 2011-13. Each strategy has varied in approach and scope, but formalising its improvement activity over this sustained period of time demonstrates the council's commitment to continuous improvement. The council consulted with internal and external partners on its current strategy, including the Improvement Service and Quality Scotland. This gave the council assurance that the strategy was well designed, complied with relevant legislation (including Best Value), and was informed by inspection frameworks.

119. The strategy states the core purpose of all improvement activity within the council is to help 'deliver high-performing services that meet customer needs'. It also identifies five common activities to drive improvement within the council: planning; external assessment; consultation and engagement; self-assessment; and performance management.

120. To support the delivery of the council's eight corporate priorities, three intended outcomes were identified within the improvement strategy:

- West Lothian Council is high performing and achieving.
- Services are self aware and improving.
- Services are designed and improved to meet the needs and preferences of customers.

The strategy includes performance indicators to measure if each of these outcomes is being achieved. Examples of activities that services should carry out to help them continuously improve are also aligned to one of the three outcomes.

121. The strategy applies to all parts of the council. The central Performance and Improvement Service coordinates and progresses improvement activity across the council, with Education Services leading on performance and quality assurance within schools.

The council's main self-assessment tool, the West Lothian Assessment Model (WLAM), is well embedded

122. Self-assessment is a key component of the council's Improvement Strategy. The council's self-assessment framework, WLAM, has been in place since 2003/04 and is well used and understood throughout the council. The WLAM is primarily based upon the European Foundation for Quality Management (EFQM) but draws on other standards and models. The WLAM was created by the council and partner agencies Quality Scotland and Investors in People Scotland. Outside the council it is known as the Public Service Improvement Framework (PSIF). It is widely used across local government and other public and third sector organisations in Scotland.

123. The WLAM cycle runs for three years, most recently from 2014 to 2017. For the purposes of assessment, the council has been split into 37 service units and each unit carries out an assessment at least once in the three-year cycle. Each service unit reviews their own performance and improvement in line with a set process, assisted by the Performance and Improvement Service to ensure

consistency across the reviews. The outcomes of assessments are reported to a three-person review panel chaired by the Chief Executive. The other two members of the panel are drawn from tier 1 or 2 of the management structure (Deputy Chief Executive or Head of Service) and from tier 3 (service unit manager).










124. The WLAM provides a strong process through which the council attempts to achieve continuous improvement and tackle underperformance through self-assessment. While risk-based, the WLAM ensures all service units carry out a self assessment in each three year cycle, meaning there is a focus on improvement for all services and not just those that are underperforming. Where there is underperformance or where risks have been identified, services will be subject to more frequent scrutiny by their review panel. This is with the aim of improving performance and accelerating the pace of improvement.

125. Service units are placed on one of three reporting cycles based on the review panel's findings. Service units report back to the review panel more regularly where there have been performance issues or where there are perceived risks to their performance. The WLAM has two elements. It looks at what service units have done (enablers) and what they have achieved (results). Service units are given an overall score based on both elements of the assessment ([Exhibit 14](#)).

Exhibit 14

Elements of the West Lothian Assessment Model (WLAM)

Through the WLAM, council services assess their performance by looking at what they have done (Enablers) and what they have achieved (Results).

Enablers		Results	
	Leadership		Customer results
	Service planning		People results
	People resources		Community results
	Partnerships and resources		Key results
	Services and processes		

Source: *West Lothian Assessment Model Framework*, West Lothian Council

126. There are tools and templates to help service units feed the outcomes of the WLAM assessment, and other improvement processes, into their management plans. Every service unit improved their WLAM score between their last two assessments, but the pace of improvement varied between service units. To

assess the impact and effectiveness of the WLAM framework we looked at two assessments of major service units in the 2014-17 cycle ([Case study 4](#)).

127. Review panels set out recommendations for services and ask them to report back on actions and progress. This gives services a clear picture of what the review panel expects them to take forward in order for the service to improve. These recommendations often focus on process, for example reviewing targets and improving benchmarking. More recommendations about outcomes and strategic priorities, to accompany those about performance management, could help to demonstrate how the WLAM process contributes to improvements in these areas.

Case study 4



The council actively pursues continuous improvement through a well-embedded self-assessment process, although this could produce more strategic recommendations

To assess the impact and effectiveness of the WLAM framework, we looked at the reports and outcomes from WLAM assessments of two major service units.

Analysis showed a consistency of approach between years and across the services, both in terms of how the services reported and how the review panel carried out their role. Both services referenced actions and activities from their annual management plans in their assessment materials which demonstrates a link between the planned day-to-day activity of the services and the WLAM process.

The review panels made recommendations for how the service units could improve performance. When the service unit next reported to the panel, it reported on the actions it had taken and progress against these recommendations. The recommendations across the services focused on process and how performance management can be improved, and only had limited reference to strategic aims.

Social Policy – Community Care: In August 2014, the review panel received a WLAM report on the service which stated that the next WLAM review was scheduled for March 2016. After it carried out its review, the panel asked the service to prepare another full WLAM assessment report within 12 months.

The panel considered a full review in August 2015, with management outlining what actions had been taken to address the 2014 review. The panel then made several recommendations centred on reviewing the service's performance indicators, increasing staff involvement in day-to-day performance management and, as it is a customer-focused service, reviewing the complaints process. The recommendations also referred to using performance information to support the strategic aim of improving waiting times. The panel asked the council's Performance and Improvement Service to provide an update report on the service within 12 months so it could review progress against the recommendations again.

In August 2016 the panel received an updated WLAM review. Several of the 2015 recommendations on performance indicators had not been addressed and were carried forward. The recommendations on complaints and waiting times were expanded to become more stretching and to build on improvements already made. The service was asked to prepare a full report so the panel could review their progress again and it reported back to the panel in August 2017. Progress was seen against recommendations and the panel will receive an update report from the Performance and Improvement Service within 12 months.

Education Services – Educational Psychology and Additional Support Needs (ASN): In September 2014, the review panel received a WLAM report on the large WLAM unit 'Education: Quality Assurance, Active Schools and Instrumental Music'. The panel made several recommendations about performance indicators and performance management, and asked for a full assessment report from the service within 12 months.

cont.

Case study 4 continued



Between 2014 and 2015 the council created a separate WLAM unit made up of Educational Psychology and ASN to allow it to monitor performance within these services more closely. In October 2015, the review panel received a full WLAM report from these services which gave a breakdown of past performance. The panel made several recommendations, again all focused on performance information. The service was asked to provide another full WLAM assessment report to the panel within 12 months. The panel in 2016 was suspended to give the service time to develop the improvement recommendations. During this time the corporate team worked with the service to monitor progress and support the improvements.

In June 2017, the panel received the second WLAM report from the new service unit. Again the recommendations focused on the nature of performance indicators, targets and performance management. It was noted, however, that Educational Psychology was performing well against its targets, but there were more serious performance issues within ASN. The panel decided that Educational Psychology will not require a full review for three years. However, it asked ASN to prepare a full WLAM report in 2018 so that it could monitor improvement more closely.

Performance trends for Community Care and Educational Psychology and ASN varied over the 2014-17 WLAM cycle, with improvement against some, but not all, performance indicators. This was in line with many individual services within West Lothian Council.

Source: Audit Scotland review of West Lothian Council WLAM guidance and reviews

128. The council's new WLAM programme, covering 2017-20 has now been drafted and service self-assessments are due to begin shortly. The council has also been considering a new approach to overall performance management and has decided to revert to using the EFQM Excellence Model for self-assessment. This is the model that the PSIF was originally based on and will allow the council to benchmark performance against a range of different organisations. The council is working with Quality Scotland to prepare for the transition to the EFQM.

The council needs to develop new approaches to delivering services to successfully deliver the required savings

129. Prior to the public consultation exercise, council officers began developing savings proposals as the basis of the upcoming five-year financial strategy. Indications of the scale of the challenge and the forecast financial gaps have been considered by the EMT since June 2016, in advance of the requirement to develop the next Corporate Plan. Key considerations for the council include what services to deliver; and how services can be made more efficient while continuing to meet, and respond to, existing and new customer needs and expectations. Central to this is how the council can better use technology to improve the customer experience.

130. In recent years the council has introduced a new service delivery model as an attempt to modernise the services offered to customers. Customer and Community Services was formed to bring together staff from several different services into a single business group. The council has created a generic customer service role. This means customers can access a variety of council services, specifically offered to meet local needs, through a single member of staff who is trained on, and can access, various council systems. Making more services available through this route, or accessible online, depends on the council having the appropriate technology and knowledge.

131. The council's Customer Service Strategy, which currently includes the council's approach to digitalising services, is being refreshed. This is an opportunity for the council to examine how it can best use technology to deliver services. The council has been considering a number of options about how to develop its approach to digital service delivery. These include retaining digitalisation of services within the customer service strategy, embedding this as a theme in all council strategies and service plans, or having a stand-alone digital strategy. It is also considering how to better coordinate investment in computer hardware, software licences and renewals, and reliance on legacy systems to remove barriers to digitalising services.

132. The council has acknowledged that it needs to continue to examine how it delivers services as the scale of the challenge increases. It is considering a range of options to build on the progress already made through partnership working, service redesign and use of technology. Council officers began establishing a central 'transformation team' to provide corporate support for transforming service delivery over the next five-year cycle in the summer of 2017. The team of around 15 full-time equivalent staff on secondment includes senior and specialist staff. The team's remit includes developing the council's approach to a digital strategy to increase the efficiency and effectiveness of services.

Recommendations



The council has a strong track record of consulting local people on its savings plans. But it needs to continue to increase its programme for community involvement in reviewing and improving services through the Customer Led Inspection programme following a pause in activity. This will provide a positive base to fully implement the Community Empowerment (Scotland) Act 2015. [\(paragraph 31, page 15\)](#)

The council should review and enhance the Scheme of Administration to provide clarity that chairs of the key scrutiny committees should not be members of the administration, and to ensure that it allows for sufficient involvement in scrutiny arrangements from elected members who are not members of the council's decision-making committees. [\(paragraph 40, page 18\)](#)

The council should work with elected members to help ensure they are fully involved through the committee and PDSP structure in monitoring, scrutinising and driving the council's performance. [\(paragraph 47, page 19\)](#).

The council should be clear on the key performance indicators that support its vision and priorities so that it is able to effectively monitor whether it is achieving its vision. [\(paragraph 57, page 23\)](#)

All members now need to take the lead in setting the priorities for the council, and ensure that savings proposals are in line with those priorities. Councillors should be involved at an early stage in identifying priorities in future years, to reduce the risk of delays when they need to make difficult decisions. [\(paragraphs 76–77, and 80–81\)](#)

With changes to the structure and responsibilities of West Lothian Leisure, the council must ensure that governance arrangements are robust and fit for purpose. [\(paragraphs 110–112\)](#)

Service transformation will be central to the council being able to meet customer needs while responding to upcoming challenges. The council must ensure this is considered alongside proposed savings options and that it continues to make progress on developing and embedding its approach to digital service delivery. [\(paragraphs 131–132\)](#)

Next steps

Future audit work

133. The audit of Best Value is a continuous process that forms part of the annual audit of every council. Audit conclusions will be reported each year through the Annual Audit Report. As part of our work in 2017/18 ,we will follow up the progress the council is making to implement the recommendations outlined above.

134. Our audit work will continue to be shaped by the Shared Risk Assessment. This is a joint approach agreed by Audit Scotland, other scrutiny partners such as Education Scotland and the Care Inspectorate, and the appointed auditor using information about local government to plan scrutiny activity that is proportionate and based on risk. This approach will contribute to the audit intelligence and help us decide about the timing of audits and the focus of audit work at individual councils.

Endnotes



- ◀ 1 For benchmarking purposes the Improvement Service's LGBF splits councils into family groups of eight councils to allow useful comparisons to be made between groups of councils based on size, geography or other characteristics. For environmental, culture and leisure, corporate and economic development services these groups are mainly based on population density. For children's services (including education), social care and housing services, levels of deprivation are the main characteristic used to group councils. For education services, West Lothian is grouped with the following councils for benchmarking: Clackmannanshire; Dumfries and Galloway; Falkirk; Fife; Renfrewshire; South Ayrshire; and South Lanarkshire.
- ◀ 2 Delayed discharge census, August 2017, Information Services Division Scotland. Data extracted October 2017.
- ◀ 3 The LGBF defines the indicators shown in Exhibit 7 as:


Proportion of pupils entering positive destinations: This is a valuable outcome measure for schools in their function of preparing young people for life beyond school. It is an aggregate measure of a wide range of post school destinations for young people.

Percentage of pupils gaining 5+ awards at level 5 or higher: This indicator provides a measure of achievement for pupils at higher levels of attainment.

SDS spend on adults 18+ as a percentage of total social work spend on adults 18+: Self Directed Support allows people needing support to choose how their support needs will be met. This indicator calculates the cost of Direct Payment and Managed Personalised Budget spend on adults as a percentage of the total social work spend on adults (aged 18+).

Percentage of people 65+ with intensive needs receiving care at home: This indicator measures the extent to which the council is maintaining people with intensive needs in the community. Homecare is one of the most important services available to local authorities to support people with community care needs to remain at home.

Percentage of adults receiving any care or support who rate it as excellent or good: This indicator measures the percentage of all adults surveyed who rated the care or support received as excellent or good.

Percentage of adults supported at home who agree that their services and support had an impact in improving or maintaining their quality of life: This indicator measures the percentage of adults supported at home who agree that their services and support had an impact in improving or maintaining their quality of life.
- ◀ 4 [Local government in Scotland: Financial overview 2015/16](#),  Accounts Commission, November 2016

Appendix

Best Value audit timeline



May 2007 to May 2012

Local Government Elections

The Scottish National Party formed a minority administration with support from Conservative and Action to Save St John's Hospital councillors.



West Lothian Council journey

May 2012 to May 2017

Local Government Elections

The Labour party formed a minority administration with support of Conservative and Independent councillors.

November 2017

Best Value Assurance Report

June 2005

The audit of Best Value and Community Planning

September 2010

Appointment of Graham Hope as Chief Executive

October 2014

The audit of West Lothian Community Planning Partnership



2004 - 2009

The audit of Best Value and Community Planning:

The Accounts Commission implemented the audit of Best Value and Community Planning in 2004 to obtain assurance that councils were delivering on their duties. Best Value audits were published for all Scottish councils.



2009 - 2016

Best Value 2:

A proportionate and risk-based approach founded on the shared risk assessment process introduced audit work targeted in areas of risk.



2016

Auditing Best Value:

A proportionate and risk-based approach with more frequent assurance across all 32 councils. Assurance on the extent to which councils are meeting their statutory duties will be provided in each Annual Audit Report as well as the Controller of Audit's Best Value Assurance Reports and the Annual Assurance and Risk Reports.



Council journey

June 2005 – The audit of Best Value and Community Planning:

The Accounts Commission's 2005 findings highlighted evidence of a strong commitment to improvement within the council, specifically a clear and ambitious strategic vision supported by a positive organisational culture, and learning from internal and external good practice. Improvements around developing the role of elected members and performance reporting were also identified.

November 2017 – Best Value Assurance Report:

The Controller of Audit will present a Best Value Assurance Report to the Accounts Commission at least once during the five-year audit appointment for each council. This is the fourth of its kind. The report seeks to provide the Commission with assurance on the council's statutory duty to deliver Best Value, with a particular focus on the Commission's Strategic Audit Priorities.

Best Value Assurance Report

West Lothian Council

This report is available in PDF and RTF formats, along with a podcast summary at:

www.audit-scotland.gov.uk 

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ISBN 978 1 911494 42 3

This publication is printed on 100% recycled, uncoated paper



BV Report Agreed Actions

Data Label : OFFICIAL

Report Type: Actions Report

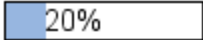



Report Author: Kenneth Ribbons

Generated on: 13 March 2018 15:39

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

Audit Scotland

Action Code & Title	Assigned To	Progress Bar	Original Due Date	Revised Due Date	Audit Finding	Agreed Action	Latest Note
FM17021_Are Member involvement in priorities and savings (1)	.Head of Finance and Property Services (D Forrest)	<div><div>100%</div></div>	31-Jan-2018	06-Feb-2018	All members now need to take the lead in setting the priorities for the council, and ensure that savings proposals are in line with those priorities. Councillors should be involved at an early stage in identifying priorities in future years, to reduce the risk of delays when they need to make difficult decisions.	Further information on the content of the 2018/19 Revenue and Capital budget reports will be submitted to the Partnership and Resources PDSP on 19 January 2018, and Council Executive for consideration prior to the budget setting meeting.	Siobhan Izzard 13-Mar-2018 Agreed actions have been fully completed, with information presented to PDSP on the 19th January 2018 and Council Executive on the 6th February 2018.
FM17022_Are Member involvement in priorities and savings (2)	.Head of Finance and Property Services (D Forrest)	<div><div>100%</div></div>	28-Feb-2018	28-Feb-2018	All members now need to take the lead in setting the priorities for the council, and ensure that savings proposals are in line with those priorities. Councillors should be involved at an early stage in identifying priorities in future years, to reduce the risk of delays when they need to make difficult decisions.	The Corporate Plan, Revenue Plan, Capital Plan and Treasury Plan will be presented to elected members at the budget setting meeting, which will take place no later than mid-February 2018.	Siobhan Izzard 13-Mar-2018 Actions now fully completed, plans were approved at the council budget setting meeting on the 13th February 2018.
PIS17003_Are Performance information to committees and PDSP's	Rebecca Kelly	<div><div>15%</div></div>	31-Mar-2018	31-Mar-2018	The council should work with elected members to help ensure they are fully involved through the committee and PDSP structure in monitoring, scrutinising and driving the council's performance.	Officers will review the quality and range of performance information provided to committees and PDSPs to ensure that it will support effective scrutiny of council performance. Additional training and support will be developed to increase capacity for elected member scrutiny.	Rebecca Kelly 06-Mar-2018 A review of the quality and range of performance information that is provided to committees and PDSPs is being scoped, with data collection on all aspects of performance reporting in past years underway. An evaluation on the sufficiency of this information, in regards to the remits of the Committee/PDSP and the quality and frequency of reporting is to be completed.

Action Code & Title	Assigned To	Progress Bar	Original Due Date	Revised Due Date	Audit Finding	Agreed Action	Latest Note
PIS17004_Are Key Performance Indicators	Rebecca Kelly		31-Mar-2018	31-Mar-2018	The council should be clear on the key performance indicators that support its vision and priorities so that it is able to effectively monitor whether it is achieving its vision	The council has already agreed, in the management response to the 2016/17 Audit Report, that officers would undertake a review to consider how reporting and scrutiny on corporate performance can be improved. Officers will now review the quality and range of all performance indicators to ensure that there is sufficient alignment with the council's priorities and key activities/processes.	Rebecca Kelly 06-Mar-2018 A review of corporate and service performance reporting is underway that will consider the relevance of current and potential performance indicators - in line with the new Corporate Plan, strategies and management plan scorecards. The council's Corporate Plan and performance scorecard was approved on 13 February and work to develop appropriate monitoring arrangements (including public reporting) is ongoing.
FM17023_Are Member involvement in priorities and savings (3)	.Head of Finance and Property Services (D Forrest)		30-Jun-2018	30-Jun-2018	All members now need to take the lead in setting the priorities for the council, and ensure that savings proposals are in line with those priorities. Councillors should be involved at an early stage in identifying priorities in future years, to reduce the risk of delays when they need to make difficult decisions.	Officers will review arrangements for councillor involvement in future budget planning and bring forward a report and recommendations to a future meeting of Council Executive.	Siobhan Izzard 13-Mar-2018 Officers have prepared an outline plan to carry out the review and will report to PDSP on the 1st June 2018 and Council Executive on 26th June 2018.
WLC17005_Are Service transformation	.DCE Graeme Struthers		30-Jun-2018	30-Jun-2018	Service transformation will be central to the council being able to meet customer needs while responding to upcoming challenges. The council must ensure this is considered alongside proposed savings options and that it continues to make progress on developing and embedding its approach to digital service delivery.	A set of new integrated strategies to support the Corporate Plan priorities and the Local Outcomes Improvement Plan (LOIP) will be submitted to PDSPs and committee for approval.	Graeme Struthers 12-Mar-2018 Corporate Plan approved on 13 February 2018. Timetable agreed with Chief Executive for draft Corporate Strategies to be presented to the CMT for consideration in May 2018, in advance of suite of strategies being submitted to the P&R PDSP and Council Executive in June 2018.
PIS17002_Are Citizen Led Inspection	Rebecca Kelly		31-Dec-2018	31-Dec-2018	The council has a strong track record of consulting local people on its savings plans. But it needs to continue to increase its programme for community involvement in reviewing and improving services through the Customer Led Inspection programme following a pause in activity. This will provide a positive	The council will implement the programme of Citizen Led Inspection for 2018 and extend opportunities to participate in the programme moving forward	Rebecca Kelly 06-Mar-2018 A new recruitment campaign for Citizen Led Inspectors is in development.

Action Code & Title	Assigned To	Progress Bar	Original Due Date	Revised Due Date	Audit Finding	Agreed Action	Latest Note
					base to fully implement the Community Empowerment (Scotland) Act 2015.		

Ernst and Young

Action Code & Title	Assigned To	Progress Bar	Original Due Date	Revised Due Date	Audit Finding	Agreed Action	Latest Note
WLC17003_Are Operation of audit and governance & risk committees - scheme of administration	James Millar	<div><div>100%</div></div>	30-Nov-2017	30-Nov-2017	In addition, best practice would suggest that the scheme of administration sets out that the chairs of these committees should not be drawn from the Council administration.	Changes to the scheme of administration are a matter for elected members of the council to consider. The covering report by the Head of Finance and Property Services on the auditor's annual report will highlight these recommendations to elected members for consideration.	James Millar 08-Dec-2017 Standing orders and the Scheme of Administration were amended at full council on 7 November 2017 to provide that the Chairs of these two committees would not be appointed from the administration group(s) and to further clarify the distinction between the remits of the two committees in relation to the annual accounts and audit report.
ED17001_Are West Leisure review of scrutiny arrangements	.Head of Education (Learning, Policy and Resources - J Cameron)	<div><div>90%</div></div>	28-Feb-2018	30-Mar-2018	Scrutiny of the performance of West Lothian Leisure has been undertaken in private throughout 2016/17. In addition, two members of the committee charged with scrutinising performance have also been directors of the Company. This is not in line with the Accounts Commission's guidance on working with arms-length external bodies. In addition to addressing the weaknesses identified through an internal audit review, the Council should review the overall governance and scrutiny arrangements in respect of West Lothian Leisure to ensure these accord with best practice.	A review will be undertaken by February 2018 on the scrutiny arrangements for the performance on West Lothian Leisure	Steven Arthur 09-Mar-2018 The remit of the WLL Review Group has been reviewed and updated to reflect the revised arrangements between WLC and WLL. In addition, approved audit reports will be shared with the WLL Review Group to evidence the existence of internal quality assurance systems. WLC officers consider operational information and financial information provided by WLL to assess the effectiveness of the service provider. Following the WLC Audit Report of February 2017 and the Audit Scotland Best Value Report of November 2017, officers have undertaken a review of the governance arrangements for West Lothian Leisure to ensure they are robust and fit for purpose. The recommendations, which include changes to the remit of the WLL Advisory Committee in addition to

Action Code & Title	Assigned To	Progress Bar	Original Due Date	Revised Due Date	Audit Finding	Agreed Action	Latest Note
							proposed additional powers, were presented to EMT on 7 March 2018 and thereafter will be tabled at the WLL Advisory Committee and Council Executive for approval.
FM17014_Are West Lothian Leisure - review of arrangements for scrutiny of financial performance	Fiona Russell	<div><div>90%</div></div>	28-Feb-2018	28-Feb-2018	Scrutiny of the performance of West Lothian Leisure has been undertaken in private throughout 2016/17. In addition, two members of the committee charged with scrutinising performance have also been directors of the Company. This is not in line with the Accounts Commission's guidance on working with arms-length external bodies. In addition to addressing the weaknesses identified through an internal audit review, the Council should review the overall governance and scrutiny arrangements in respect of West Lothian Leisure to ensure these accord with best practice.	A review will be undertaken by February 2018 on the scrutiny arrangements for the financial performance on West Lothian Leisure	Siobhan Izzard 13-Mar-2018 A review of financial monitoring and planning arrangements has been undertaken and a number of recommendations have been identified to enhance the scrutiny of WLL's financial performance. The recommendations were presented to EMT on 7 March 2018 and thereafter will be tabled at the WLL Advisory Committee on the 23rd March 2018 and Council Executive for approval in April.



AUDIT COMMITTEE

INTERNAL AUDIT PLAN 2018/19

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of the 2018/19 internal audit plan.

B. RECOMMENDATION

It is recommended that the Audit Committee approves the 2018/19 internal audit plan.

C. SUMMARY OF IMPLICATIONS

I	Council Values	Being honest, open and accountable. Making best use of our resources.
II	Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	None.
III	Implications for Scheme of Delegations to Officers	None.
IV	Impact on performance and performance Indicators	None.
V	Relevance to Single Outcome Agreement	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
VI	Resources - (Financial, Staffing and Property)	The plan is based on the available staff resource.
VII	Consideration at PDSP	None.
VIII	Other consultations	Audit Committee, Corporate Management Team including the Head of Finance and Property Services, internal audit staff.

D. TERMS OF REPORT

The Public Sector Internal Audit Standards (PSIAS) require that a risk based audit plan be prepared. The internal audit plan for 2018/19 is attached as an appendix to this report and sets out the planned internal audit work for the year to 31 March 2019.

The audit plan contains an appendix which sets out the methodology for including audits in the plan. In summary, audits are included in the plan on the basis of a review of the risks within the corporate risk register, discussions with senior managers, previous audit work, and local knowledge of the council and its operations. Audits included in the plan are referenced to the relevant risk in the corporate risk register.

In their 2016/17 annual audit report EY recommended that internal audits in the plan be prioritised. This has been done, and the basis for prioritisation is set out on page four of the plan. EY also recommended that the plan set out productive days as an element of total resources available, and this is set out on page 3 of the plan.

In their annual audit report EY also commented that the Audit, Risk and Counter Fraud Manager fulfils the role of both head of internal audit and risk manager. This creates, in their view, a potential for a conflict of interest to arise. The arrangements for dealing with potential conflicts of interest are set out in paragraphs 1.6 and 1.7 on page 1 of the plan.

E. CONCLUSION

The internal audit plan ensures that internal audit work is properly planned and focuses on areas of greatest risk.

F. BACKGROUND REFERENCES

Report to Audit Committee 18 December 2017: Report to Members and the Controller of Audit on the 2016/17 Audit.

Appendices/Attachments: Internal Audit Plan 2018/19

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

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 19 March 2018



WEST LOTHIAN COUNCIL

AUDIT RISK AND COUNTER FRAUD UNIT

INTERNAL AUDIT PLAN

2018/19

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INTRODUCTION

Independence and Objectivity

- 1.1 The Local Authority Accounts (Scotland) Regulations 2014 require that the council operates a professional and objective internal audit service in accordance with recognised standards and practices in relation to internal auditing. Recognised standards and practices are those set out in the Public Sector Internal Audit Standards (PSIAS).
- 1.2 The PSIAS require that internal audit be independent and that internal auditors must be objective in performing their work.
- 1.3 The internal audit service is delivered and developed in accordance with its purpose which, as set out in the Internal Audit Charter, is to provide assurance by independently reviewing the council's risk management, control and governance processes.

Risk Based Audit Plan

- 1.4 The PSIAS require that a risk based audit plan be prepared. This annual audit plan fulfils this requirement, and plays an important role in ensuring that the effectiveness of control over key risks is systematically reviewed.
- 1.5 The methodology for developing the risk based internal audit plan is set out in the attached appendix. In summary, audits are included within the plan on the basis of a review of the corporate risk register, consultation with the Audit Committee and Corporate Management Team, consideration of previous internal audit and counter fraud work, and knowledge of the council and its operations. Audits in the plan are, where possible, referenced to the corporate risk register. The risks in the corporate risk register link to corporate priorities and enablers.

Conflicts of Interest

- 1.6 I also have responsibility for managing the council's counter fraud and risk management functions, and in accordance with the requirements of the PSIAS for independence and objectivity, any internal audit work on counter fraud or risk management arrangements will be overseen by a third party. There is currently a joint working arrangement with the Falkirk Council internal audit team, and they would undertake any required internal audit work.
- 1.7 In addition, if there is a requirement for the internal audit team to conduct audit work on areas which have had a material risk management input, for example project management, the council's Executive Management Team has agreed that the Senior Auditor will formally sign off the audit report.

Resources and Sources of Assurance

- 1.8 The PSIAS require that I explain how internal audit's resource requirements have been assessed, and also require me to provide an annual opinion on the council's framework of governance, risk management and control. I have assessed internal audit's resource requirements as being the level of resource that would be sufficient to enable me to provide an annual evidence based opinion. I am satisfied that the current level of resource is sufficient to enable me to do this.

1.9 The PSIAS also require that I include in my plan my approach to using other sources of assurance. In addition to my internal audit work, in providing my annual evidence based opinion I will have regard to:

- the work of the council's external auditor, which is placed before the Audit Committee as a matter of course;
- the outcome of any work undertaken by the council's risk consultant;
- the work of the council's Governance and Risk Board, an officer body exercising oversight over governance and risk matters;
- the Governance Manager's annual report on the council's Code of Corporate Governance and the governance compliance statements prepared by heads of service.

Proper Administration of Financial Affairs

1.10 The Head of Finance and Property Services has a statutory duty under Section 95 of the Local Government (Scotland) Act 1973 to ensure that the council has made arrangements for the proper administration of its financial affairs, and for safeguarding income and expenditure. The annual audit plan assists the Head of Finance and Property Services to discharge this responsibility.

Progress Reporting

1.11 Completion of the annual audit plan is a key performance indicator. Progress in completing the annual audit plan is reported to the Audit Committee and to the Head of Finance and Property Services.

Kenneth Ribbons

Audit, Risk and Counter Fraud Manager

19 March 2018

PLANNED AUDIT ACTIVITIES 2018/19

Risk Based Audit		Days
• Carry forward from 2017/18	10	
• Audit work 2018/19	325	
• Follow up of previous recommendations	25	
• External organisations	<u>70</u>	
		430
Reactive Work		50
Other Work		
• Carbon Reduction Commitment Energy Efficiency Grant Scheme	10	
• Climate Change Declaration	5	
• Governance and Risk Board / Governance Working Group	<u>10</u>	
		<u>25</u>
Total		<u>505</u>
Resources		Days
Total Resources		780
Less annual leave / public holidays		<u>108</u>
Net resources		672
Productive audit time		505
Productive time as a percentage of net resources		75%

WEST LoTHIAN COUNCIL: RISK BASED AUDIT PLAN 2018/19

Key to Audit Priorities	
Priority	Description
1	High current risk as per the corporate risk register; or previous internal audit work considered process unsound
2	Major new initiative or legislation
3	Original risk score high (25) as per the corporate risk register
4	Other area of risk

Service	Audit Topic	Risk Register	Risk	Summary	Priority	Estimated Days
Council Wide	Financial Planning	WLC023	Failure to deliver the financial plan.	To review the management and delivery of the council's transformational change programme.	1	25
	Information Security	COR007	Failure to implement effective information security policy and procedures	To review progress in relation to the management of information security breaches.	1	20

Service	Audit Topic	Risk Register	Risk	Summary	Priority	Estimated Days
	Brexit	WLC026	Failure to effectively manage the impact on council objectives of exit from the European Union.	To review controls in place to mitigate any potentially adverse impact of Brexit on council objectives.	1	5
	Community Asset Transfer	WLC022	Failure to achieve Best Value.	To review the controls in place for ensuring compliance with statutory requirements, including Best Value.	2	20
	General Data Protection Regulation (GDPR)	WLC032	Failure to meet the requirements of the new data protection legislation.	To review corporate compliance with the requirements of the general data protection regulation.	2	20
	System of Internal Control	WLC022	Failure to achieve best value	To conduct a high level review of the council's key policies and procedures.	4	15
	Workforce Planning	WLC001	Failure to achieve workforce planning objectives.	To review controls in relation to the effectiveness of workforce planning within the council.	4	20

Service	Audit Topic	Risk Register	Risk	Summary	Priority	Estimated Days
	Welfare Reform	FP004 / HCBS002	Failure to manage the impact of welfare reform.	To review the action being taken to mitigate the potentially adverse impact on council objectives of welfare reform.	2	15
Corporate Services	Procurement	WLC003	Breaches of council Standing Orders, policies and procedures for the procurement of contracts	To follow up on previous internal audit work in relation to business case exemptions.	1	10
	Cyber Security	WLC014 / WLC015	Cyber attack resulting in data breach / disconnection from the national PSN network	To review the controls in place in relation to cyber security.	3	20
	I.T. Project Management	ITS003	Failure to effectively manage I.T. projects	To review action taken in relation to the Audit Scotland national report "Principles for a Digital Future" and to ensure that effective processes exist for the management of I.T. projects.	4	20
Education Services	School Medication	ED008	Errors or accidents when assisting pupils with medication	To visit a sample of schools and review controls in place to mitigate the risk. To follow up on the previous audit recommendations made.	1	20

Service	Audit Topic	Risk Register	Risk	Summary	Priority	Estimated Days
Finance and Property Services	Creditors Payments	FM001	Payment of creditors bills to fraudulent bank accounts	To review control over creditors payments to ensure that payments are made to bona fide suppliers.	4	15
Housing, Building and Customer Services	Fire Safety	HCBS011	Death or injury due to house fire	To review controls for minimising the risk of death or injury through fire	3	15
	Procurement	WLC003	Breaches of council Standing Orders, policies and procedures for the procurement of contracts	To review compliance within Building Services with council Standing Orders for Contracts and procurement procedures in relation to supplies and services.	4	20
Planning, Economic Development and Regeneration	Grants to Voluntary Organisations	WLC022	Failure to achieve best value	To follow up on previous internal audit work in relation to grants to voluntary organisations	1	5
	LEADER Funding	EDS002	Organisations fail to implement financial checks resulting in repayment of funding	To review controls in relation to compliance with terms and conditions of funding.	4	15
Social Policy	Personal Safety	CF001	Assault or injury to staff, by service user	To follow up on the Gallagher Basset risk consultant review of personal safety in Social Policy.	1	10

Service	Audit Topic	Risk Register	Risk	Summary	Priority	Estimated Days
	Care Homes / Care at Home	CCOP001	Insufficient supply to meet service demands - care homes and care at home	To review the controls in place to manage service demands.	1	20
	Scottish Social Services Council (SSSC)Registration	SP014	Failure to ensure staff are appropriately registered with SSSC or other regulatory bodies	To review the controls in place to mitigate this risk and follow up on previous audit recommendations.	4	15
TOTAL						325

EXTERNAL ORGANISATIONS

Organisation	Objective	Estimated Days
West Lothian Integration Joint Board	To be agreed with the Board's Audit Risk and Governance Committee	30
West Lothian Leisure	To be agreed with the management of West Lothian Leisure	20
Improvement Service	To be agreed with the management of the Improvement Service.	20
TOTAL		70

APPENDIX

METHODOLOGY FOR DEVELOPING THE RISK BASED INTERNAL AUDIT PLAN

No	Action
1.	Consider the effectiveness of the council's risk management framework and the extent to which reliance can be placed on the corporate risk register.
2.	Review the high risks in the corporate risk register. High risks are those risks with a current risk score between 12 and 25. Aim to audit high risks once every three years.
3.	Review those non-high risks in the risk register where the original risk is 25. Aim to audit risks with original risk of 25 once every five years.
4.	Review previous years' internal audit and counter fraud work, including follow up work, and consider whether there are any areas of particular risk which require special attention.
5.	Consult with Audit and Governance Committee members, Corporate Management Team, and internal audit staff, in relation to the risk based internal audit plan. Consider suggestions in accordance with the council's key risks.
6.	Review the previous year's governance statement and compliance statements.
7.	Review the output from external audit.
8.	Consider whether there are any material risks requiring audit which arise from changes in operations, new systems or applications, government legislation, staffing changes, etc.



AUDIT COMMITTEE

COUNTER FRAUD PLAN 2018/19

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of the 2018/19 counter fraud plan.

B. RECOMMENDATION

It is recommended that the Audit Committee approves the 2018/19 counter fraud plan.

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)	Investigations into allegations of fraud and corruption are undertaken in accordance with the council's Anti-Fraud and Corruption Policy as well as the council's Whistleblowing Policy.
III	Implications for Scheme of Delegations to Officers	None.
IV	Impact on performance and performance Indicators	Effective counter fraud arrangements are an essential component of effective performance management.
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)	The plan is based on the available staff resource.
VII	Consideration at PDSP	None.
VIII	Other consultations	Depute Chief Executive and Head of Corporate Services (in relation to Whistleblowing), Head of Finance and Property Services, Audit, Risk and Counter Fraud staff.

D. TERMS OF REPORT

The counter fraud plan for 2018/19 sets out the counter fraud work to be undertaken for the year to 31 March 2019 and is attached as an appendix.

The main elements of the plan are to:

- maintain the council's whistleblowing hotline and mailbox;
- record, assess and investigate fraud referrals, whether received via whistleblowing methods or via direct referrals from management;
- review counter fraud policies and procedures for continued effectiveness;
- administer the biennial National Fraud Initiative (NFI) data matching exercise, and co-ordinate the investigation of data matches by services;
- continue to provide counter fraud advice and fraud awareness training to services.

E. CONCLUSION

The counter fraud plan is an essential component of the council's counter fraud arrangements.

F. BACKGROUND REFERENCES

None.

Appendices/Attachments: Counter Fraud Plan 2018/19

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

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 19 March 2018

DATA LABEL: PUBLIC

Counter Fraud Plan 2018/19

Item	Task	Detail	Target Date
1.	Whistleblowing Hotline	<p>Monitor whistleblowing hotline and mailbox, maintain a record of all whistleblowing referrals, risk assess, prioritise and investigate as appropriate.</p> <p>Raise awareness of the whistleblowing hotline and mailbox to all staff.</p>	Ongoing during 2018/19
2.	Counter Fraud Investigations	<p>Record all referrals, risk assess, prioritise and investigate as appropriate.</p> <p>Raise awareness of the types of referrals dealt with by the Counter Fraud Team to service management.</p>	Ongoing during 2018/19
3.	National Fraud Initiative (NFI)	<p>Co-ordinate the 2018/19 National Fraud Initiative (NFI) data matching exercise. Communicate with services and ensure the upload of data to NFI in October 2018. Provide advice and assistance to services where required and monitor the investigation of data matches by services during 2019.</p> <p>Finalise the small number of cases carried forward from the 2016/17 NFI exercise.</p> <p>Report on progress of NFI to the Audit Committee in both the half year and year end Counter Fraud reports.</p>	Ongoing during 2018/19

Item	Task	Detail	Target Date
4.	Counter Fraud Procedures	<p>Review existing counter fraud procedures for effectiveness and update as required. Specific areas for review include:</p> <ul style="list-style-type: none"> • the current fraud risk assessment process; • consideration of a recorded interview process; • consideration of a direct reporting process to the Procurator Fiscal; • review the scope of the procedure to include appropriate references to cover all relevant Counter Fraud investigations. <p>Keep up to date with new developments such as changes in legislative requirements (e.g. General Data Protection Regulation (GDPR)) and best practice (e.g. Criminal Justice (Scotland) Act 2016 codes of practice for investigative functions) and update procedures where required.</p>	31 March 2019
5.	Fraud Awareness Training Sessions	<p>Continue to deliver fraud awareness training sessions on various aspects of criminal activity (e.g. theft, embezzlement, fraud, drugs) to relevant service area staff and senior management throughout the council.</p> <p>Joint working and participation in the delivery of fraud awareness sessions with external partners such as Ernst and Young (External Auditors), Police Scotland and other local authority members of the Scottish Local Authority Investigators Group (SLAIG).</p>	31 December 2018
6.	Online Training – Fraud and Whistleblowing Awareness	<p>Develop council wide online training to raise awareness of the threat of fraud and the processes in place for employees to raise any concerns or suspicions (e.g. via Whistleblowing Hotline or directly with the Counter Fraud Team).</p>	30 June 2018

Item	Task	Detail	Target Date
7.	Counter Fraud Advice and Information	<p>Liaise with services to disseminate counter fraud advice and information.</p> <p>Respond to daily Data Protection Act (DPA) requests and ongoing Data Washing requests from Police Scotland.</p> <p>Respond to ad hoc Data Protection Act (DPA) requests from other partners and agencies (e.g. other Local Authorities).</p>	31 March 2019



AUDIT COMMITTEE

AUDIT COMMITTEE WORKPLAN

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of the Committee's proposed workplan for 2018/19.

B. RECOMMENDATIONS

It is recommended that the Audit Committee approves the workplan appended to this report.

C. SUMMARY OF IMPLICATIONS

I	Council Values	Being honest, open and accountable, making best use of our resources.
II	Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	None.
III	Implications for Scheme of Delegations to Officers	None.
IV	Impact on performance and performance Indicators	None.
V	Relevance to Single Outcome Agreement	None.
VI	Resources - (Financial, Staffing and Property)	None.
VII	Consideration at PDSP	None.
VIII	Other consultations	None.

D. TERMS OF REPORT

The regular work of the Committee is prescribed by the annual cycle of internal audit, external audit, and counter fraud work. The appendix to this report sets out the regular items which are due to be submitted to the Committee during 2018/19 and comprises the Committee's workplan. These items are all submitted annually with the exception of reporting in relation to the National Fraud Initiative (NFI) data matching exercise which is undertaken every two years.

Other items of business are submitted to the Committee as considered appropriate, for example internal audit reports, counter fraud reports, and relevant external audit reports including national audit reports. In relation to internal audit and counter fraud reports, these are submitted to the Committee on the basis of my judgement as to their materiality and the degree of risk arising. The Committee should note that the Public Sector Internal Audit Standards (PSIAS) require me to report any significant risk and control issues identified by my work.

Internal audit and counter fraud work is summarised in the relevant progress reports and annual reports, and the Committee may of course ask to see the individual reports.

E. CONCLUSION

This report advises members of the Committee's proposed workplan for 2018/19.

F. BACKGROUND REFERENCES

Report to Audit Committee 23 June 2017: Committee Remit and Administrative Arrangements

Appendices/Attachments: Audit Committee Workplan

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

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 19 March 2018

APPENDIX

AUDIT COMMITTEE WORKPLAN 2018/19

June
Internal Audit Annual Report
Counter Fraud Annual Report
Unaudited Accounts
Outstanding Risk Actions From Audit and Inspection Reports
Local Scrutiny Plan
Audit Scotland Local Government Performance and Challenges Report
Audit Committee Self - Assessment
October
Auditor's Annual Report to Members and Audited Accounts
December
Internal Audit Progress Report
Counter Fraud Progress Report (including NFI progress where applicable)
Audit Scotland Local Government Financial Overview Report
Outstanding Risk Actions From Audit and Inspection Reports
March
Internal Audit Annual Plan
Counter Fraud Annual Plan
External Audit Annual Plan



AUDIT COMMITTEE

COMMITTEE SELF - ASSESSMENT

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To invite the Committee to consider arrangements for carrying out a periodic self-assessment of its administrative arrangements and activity.

B. RECOMMENDATIONS

It is recommended that the Audit Committee:

- notes the recommendation in the external auditor's annual audit report about carrying out self-assessment of the committee's effectiveness, and the council's decision in response;
- considers the questionnaire in the appendix and whether there are any additional areas that might be covered or questions asked;
- agrees that the questionnaire should be circulated to committee members for completion with the results reported back to the June meeting of the Committee;
- notes that a similar arrangement is being carried out for Governance and Risk Committee as part of the response to the auditor's recommendation.

C. SUMMARY OF IMPLICATIONS

I	Council Values	Being honest, open and accountable, making best use of our resources.
II	Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	None.
III	Implications for Scheme of Delegations to Officers	None.
IV	Impact on performance and performance Indicators	None.
V	Relevance to Single Outcome Agreement	None.
VI	Resources - (Financial, Staffing and Property)	None.
VII	Consideration at PDSP	None.
VIII	Other consultations	Governance Manager

D. TERMS OF REPORT

The report by the external auditors on the council's annual accounts was considered at full council on 26 September 2017. It included findings in relation to the Audit Committee and the Governance & Risk Committee. The auditors recommended that these committees undertake annual self-assessments of effectiveness, including how they have interacted with each other over a full cycle of reporting. They considered that to be best practice. Council agreed to include a self-assessment in the work-plan for both committees.

A self-assessment questionnaire was submitted to the Governance and Risk Committee for approval on 22 January 2018. A similar questionnaire is appended for the Audit Committee's consideration. Sections A to D of the questionnaire are the same as those submitted to the Governance and Risk Committee. Section E of the questionnaire is specific to the Audit Committee.

The Committee is invited to consider if there are any changes it may wish to see to the questions asked. Once finalised, the intention is to issue the questionnaire electronically to members for completion. It is intended that the results will be reported back to the June meeting of the Committee so that they can be considered, and areas for improvement identified and agreed.

The self-assessment process has been incorporated into the committee's work-plan and it is intended that it be carried out annually.

E. CONCLUSION

The self-assessment questionnaire is intended enhance the effectiveness of the Committee and assist it discharge its responsibility for the effective scrutiny of the council's control environment.

F. BACKGROUND REFERENCES

Report to Governance and Risk Committee 22 January 2018: Committee Self-Assessment

Report to Audit Committee 18 December 2017: Report to Members and the Controller of Audit on the 2016/17 Audit

Appendices/Attachments: Audit Committee Self-Assessment Questionnaire

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

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 19 March 2018

APPENDIX 1

AUDIT COMMITTEE – SELF-ASSESSMENT QUESTIONS

The first four sections are in generic terms and may be used for other committees. The fifth (last) section is relevant to this committee.

	Question	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Comments
A	Purpose and Status						
1	Committee's role and powers are set out in Standing Orders.						
2	Committee's role and powers are clear and understood.						
3	Committee is regarded by other members as a positive influence.						
4	Committee's recommendations are respected and acted upon.						
5	There is adequate communication with officers and other committees.						
B	Administrative Arrangements & Support						
1	Committee is of an appropriate size and composition.						
2	Committee is provided with adequate officer support (professional and administrative).						
3	Meetings are sufficiently frequent and at appropriate times of the year.						

APPENDIX 1

	Question	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Comments
4	Committee maintains a work plan balancing forward planning with flexibility for reactive work.						
5	Meeting papers are distributed appropriately (timeliness and format) to enable proper preparation.						
6	Reports and minutes provide relevant, appropriate and sufficient information.						
7	Start times and time allowed for meetings provide sufficient time for business to be done.						
8	Public access to reports and meetings is maximised and excluded only where legally justified.						
9	Committee is able to secure the attendance and assistance of appropriate senior officers.						
10	Committee is able to secure appropriate professional advice when required.						
11	Meetings are attended by relevant stakeholders.						
C	Members						
1	Committee members understand their role.						
2	Committee has an appropriate mix of knowledge, expertise, experience and skills.						

APPENDIX 1

	Question	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Comments
3	Committee members receive sufficient and appropriate training and briefings.						
4	Committee members undertake personal development relevant to their role and responsibilities.						
5	Chair promotes and encourages effective and efficient meetings including input from officers and members.						
6	Members prepare, attend meetings and actively contribute.						
D	Effectiveness						
1	Committee functions in a positive and constructive manner, including interaction amongst members and with officers.						
2	Scrutiny is encouraged and accepted as a means to improve.						
3	Committee provides constructive challenge to officers.						
4	Committee receives adequate responses from officers to questions.						
5	Committee members feel comfortable asking candid questions and pursuing full answers.						
6	Decisions and recommendations are captured to enable them to be recorded accurately.						

APPENDIX 1

	Question	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Comments
7	Decisions are executed properly and in a timely manner and are followed up by committee.						
8	There is evidence from meeting papers and minutes of impacts or improvements from committee activity.						
9	Committee has good working relations with key officers, members and organisations.						
10	Stakeholders (including other members and the public) are made aware of and understand committee's activity.						
E	Matters Specific to Audit Committee Remit and Activities						
1	Interaction with the Governance and Risk Committee is defined and understood, with no gaps or duplication.						
2	Meetings are attended by external auditor representatives.						
3	Committee's role in relation to the council's annual accounts is defined and understood.						
4	Committee reviews the council's system of internal control, both financial and non-financial.						
5	Committee follows up outstanding actions or improvement plans.						
6	Committee monitors the performance of the internal audit and counter fraud services.						

APPENDIX 1

	Question	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Comments
7	Committee satisfies itself as to the independence of internal audit.						
8	Internal audit reports are easy to understand and provide all required information.						
9	Committee satisfies itself that appropriate counter fraud arrangements are in place.						
10	Counter fraud reports are easy to understand and provide all required information.						



AUDIT COMMITTEE

INTERNAL AUDIT OF BUILDING SERVICES – OVERTIME PAYMENTS

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 overtime payments within Building Services.

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)	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 within Building Services 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 administration of overtime payments within Building Services.

The resultant audit report is attached as an appendix to this report and includes an action plan containing agreed management actions.

E. CONCLUSION

Our audit of the administration of overtime payments within Building Services has concluded that control is 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 22 February 2018: Building Services Overtime Payments

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

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 19 March 2018



HB1701

INTERNAL AUDIT REPORT

HOUSING, CUSTOMER & BUILDING SERVICES

BUILDING SERVICES - OVERTIME PAYMENTS

22 February 2018



westlothian.gov.uk

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1.0 EXECUTIVE SUMMARY

- 1.1 In accordance with the annual audit plan for 2017/18, we have undertaken a review of Building Services' overtime payments and conclude that the level of control is **satisfactory**. However there are a number of findings of 'Medium' importance which need to be addressed in order to further improve control.
- 1.2 The audit remit is set out in section two.
- 1.3 Building Services is the council's in-house building contractor with around 450 employees, including 63 apprentices. There are two teams, Contracts who undertake project works; and Repairs who carry out responsive repairs and maintenance to council properties. Works undertaken vary in terms of urgency, and can sometimes result in overtime being required. Table 1 details the overtime hours worked within Building Services in the 2016/17 and 2017/18 years, and the associated cost.

Table 1	2016/17		2017/18	
	Hours	£	Hours	£
H1	10,567	£327,000	10,578	£306,000
H2	11,844	£383,000	-	-
Full Year	22,411	£710,000	-	-

- 1.4 The following key controls were found to be in place:
- there is a written procedure for how overtime claims are processed by the administration team, although the documented procedure for the process before it reaches this point is more limited (ref: 3.1);
 - pre-authorisation of overtime prior to it being worked (subject to need-based exceptions);
 - generic forms for claiming, confirming and processing overtime (refs: 3.2 and 3.3);
 - partial introduction of an electronic system 'Total Mobile' for scheduling and allocating jobs, including logging of hours worked;
 - end of month cross-checks to ensure accuracy of records submitted to Human Resources (Payroll).
- 1.5 None of our findings have been ranked as being of 'High' importance, although there are five findings ranked as being of 'Medium' importance: 3.2 – Completion of Monthly Overtime Returns; 3.3 – Completion by Operatives of Weekly Claim Form; 3.4 – Exception Reporting; 3.5 – Working Hours; and 3.6 – Use of Total Mobile.
- 1.6 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.
- 1.7 We appreciate the assistance of Housing, Customer & Building Services staff during the conduct of our audit. Should you require any further assistance please contact Colin Carmichael.

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

2.0 REMIT

- 2.1 The audit objectives were to determine whether controls are in place, which ensure that payments of overtime are made accurately and correctly.
- 2.2 Our review concentrated on the key controls and our testing was undertaken on a sample basis. Therefore, the weaknesses we have identified are not necessarily all those which exist.
- 2.3 We agreed the draft report for factual accuracy with Grant Taylor, Building Services Manager on 30 January 2018.
- 2.4 The Head of Housing, Customer & Building Services is responsible for both the implementation of agreed actions and the risk arising from not acting on any agreed actions in this report.
- 2.5 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 Pentana 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>Procedural Guide</u></p> <p>A written procedural guide is in place for the processing of overtime claims by the administration team.</p> <p>However, written guidance in respect of the process prior to claims reaching the admin team is more limited and appears to consist primarily of a flow chart. It would be beneficial to have a more detailed written procedure in order to ensure consistency of the end-to-end process.</p> <p>In addition there is no written guidance covering what is an acceptable level of overtime for individual operatives to work (ref:3.5).</p> <p><u>Risk</u> <i>Inconsistencies in processing of overtime claims leading to the potential for fraudulent claims remaining undetected, and failure to prevent / detect fraud.</i></p>	The service will review all written procedures for managing overtime claims and ensure there are detailed written procedures of the end to end process including the acceptable level of overtime.	Low
			Responsible Officer
			Grant Taylor
			Risk Identifier
			HCBS009
			Action Date
			28/02/2018

Ref	Findings & Risk	Agreed Action	Importance Level
3.2	<p><u>Completion of Monthly Overtime Returns</u></p> <p>Monthly overtime returns were reviewed for 40 individuals (10 each from 4 separate months, and involving 102 individual weekly claims). Our review covered the process for compilation of these returns from the weekly claim forms through to preparation for onwards transmission to HR for processing by payroll.</p> <p>From the 40 payments reviewed, the following errors were identified:</p> <ul style="list-style-type: none"> • 6 instances where amounts on weekly sheets could not be verified due to the absence of one or more claim sheets; • 3 weekly sheets not correctly signed by the team co-ordinator; • 5 weekly sheets not correctly signed by the team leader. <p><u>Risk</u> <i>Incomplete and unauthorised monthly overtime returns leading to potentially fraudulent claims remaining undetected, and failure to prevent / detect fraud.</i></p>	The service will undertake awareness training to all staff involved in the process and ensure all weekly claim forms are accurately recorded.	Medium
			Responsible Officer
			Grant Taylor
			Risk Identifier
			HCBS009
			Action Date
			31/03/2018

Ref	Findings & Risk	Agreed Action	Importance Level
3.3	<p><u>Completion of Operatives Weekly Claim Forms</u></p> <p>From the 102 individual weekly claim forms reviewed, the following errors were identified:</p> <ul style="list-style-type: none"> • 8 instances where one or more of the weekly claim forms required to evidence monthly claims were not seen • 3 weekly claim forms which were not fully / correctly completed • 12 instances where claimants had failed to sign one or more of their weekly claim forms • 11 instances where weekly claim forms had not been signed by a line manager <p><u>Risk</u> <i>Incomplete and unauthorised monthly overtime returns leading to the potential for fraudulent claims remaining undetected, and failure to prevent / detect fraud.</i></p>	The service will undertake awareness training to all staff involved in the process and ensure all weekly claim forms are accurately recorded.	Medium
			Responsible Officer
			Grant Taylor
			Risk Identifier
			HCBS009
			Action Date
			31/03/2018

Ref	Findings & Risk	Agreed Action	Importance Level
3.4	<p><u>Exception Reporting</u></p> <p>There is currently no provision for system generated exception reports. Whilst this is mitigated to some extent by pre-processing checks and sign-offs, the introduction of system generated exception reports would enable post-processing monitoring against established parameters and could also be used to highlight adverse / unwanted trends.</p> <p>We have been advised during the audit that a new reporting tool will be available within the Open Housing system in the final quarter of 2017.</p> <p><u>Risk</u> <i>Adverse trends or anomalies are overlooked resulting in potential inappropriate / fraudulent activities remaining undetected.</i></p>	The service will investigate what system generated reports can be developed to monitor and highlight adverse/unwanted trends.	Medium
			Responsible Officer
			Grant Taylor
			Risk Identifier
			HCBS009
			Action Date
			31/03/2018

Ref	Findings & Risk	Agreed Action	Importance Level
3.5	<p><u>Working Hours</u></p> <p>It was noted whilst undertaking our review that the Working Time Regulations (1998) had been breached by at least one individual. For the 2016/17 year his average working week including overtime was 55.8 hours, and for the first 31 weeks of the 2017/18 year 54.3 hours. The standard maximum under the regulations is 48 hours averaged over a 17 week period.</p> <p>Additionally, over the period outlined above, there have been 21 weeks where the individual worked in excess of 70 hours, with in excess of 90 hours worked during five separate weeks.</p> <p><u>Risk</u> <i>Regulatory non-compliance and potential health and safety issues due to excessive hours worked.</i></p>	<p>The service provides an out of hours emergency service for repairs on behalf of the council. Operatives volunteer to be part of a team that provides this service throughout the year. Operatives are managed via a rota system. The service calculated the working hours based on the rota ensuring no one operative exceeds the working time directive. However since this is voluntary, operatives can agree amongst themselves to change rota arrangements. In the instance highlighted this operative has agreed the additional rota schedules however the service did not take this into consideration for his working hours.</p> <p>Operatives had previously opted out of the working time directive however the service cannot provide evidence of this. This is as a result of file clearance and changes to staff within Building Services.</p> <p>The service will prepare new opt out documentation and discuss them with the current operatives. We will also monitor working hours in the future and where possible increase the volunteers scheduled for the out of hours service.</p> <p>The service is also looking at other options to deliver the service in terms of dedicated staff or different work patterns.</p>	Medium
			Responsible Officer
			Marc Garland
			Risk Identifier
			HCBS009
			Action Date
			Complete

Ref	Findings & Risk	Agreed Action	Importance Level
3.6	<p><u>Total Mobile 'Buddying' Procedure For Overtime</u></p> <p>A handheld electronic system is being used by some operatives to schedule jobs, log locations visited and detail hours worked by the individual using an allocated handheld device.</p> <p>Where the operative is accompanied by a 'buddy' it is also used to record the buddy's hours. However, a written claim form is then not available to evidence the overtime worked. This is considered acceptable for the worker inputting their own details using the handheld device, but does not provide an audit trail certified by the 'buddy' for their own hours meaning the audit trail is restricted. Also, it is difficult / time consuming to trace who was buddying whom historically, and to ensure a complete auditable record.</p> <p><u>Risk</u> <i>Potential for erroneous / fraudulent claims remaining undetected, and failure to prevent / detect fraud.</i></p>	<p>From the interim period employees using a mobile device for any overtime claims will complete a paper time sheet that will be reviewed and signed off by their line manager.</p> <p>The service will review the current arrangements on the mobile device and look at functionality to complete a timesheet on the device for the buddy's hours.</p>	Medium
			Responsible Officer
			Grant Taylor
			Risk Identifier
			HCBS009
			Action Date
			16/02/2018

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.

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.



AUDIT COMMITTEE

REPORT ON PAYMENTS TO VOLUNTARY AND NOT FOR PROFIT ORGANISATIONS

REPORT BY HEAD OF PLANNING, ECONOMIC DEVELOPMENT & REGENERATION

A. PURPOSE OF REPORT

The purpose of this report is to provide an update to Audit Committee panel on progress in carrying out annual health checks of funded organisations, and to advise of improvements made to the health check process. The report follows on from an earlier report to Audit Committee on 30 June 2017

B. RECOMMENDATION

It is recommended that the committee notes the work done to address the issues raised in the Internal Audit Report and by Audit Committee on 30 June 2017.

C. SUMMARY OF IMPLICATIONS

- | | |
|---|--|
| I Council Values | Focusing on our customers' needs.
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) | The report does not raise any health or risk assessment issues. No strategic environmental assessment is required. |
| III Implications for Scheme of Delegations to Officers | None. |
| IV Impact on performance and performance Indicators | Funding support to the voluntary sector helps to support West Lothian Council to deliver on its priorities, and the health checks process helps to monitor the delivery of agreed outcomes and indicators. |
| V Relevance to Single Outcome Agreement | <ul style="list-style-type: none">- We are better educated and have access to increased and better quality learning and employment opportunities.- We live in resilient, cohesive and safe communities.- We live longer, healthier lives and have reduced health inequalities. |

	- We make the most efficient and effective use of resources by minimising our impact on the built and natural environment.
VI Resources - (Financial, Staffing and Property)	£1,518,050 has been allocated in the 2017/18 revenue budget to support voluntary and not for profit organisations. This includes some payments paid back for rent and associated costs on WLC owned properties. The council's five year budget strategy identifies savings in payments to voluntary and community organisations and this will require a further review of funding arrangements.
VII Consideration at PDSP	Reports on support for voluntary and community organisations are provided to the Voluntary Organisations PDSP on an annual basis.
VIII Other consultations	None.

D. TERMS OF REPORT

D1 Background

On 30 June 2017 an Internal Audit Report covering payments to voluntary and not for profit organisations presented to Audit Committee identified that the level of control in relation to organisations funded by the council was unsound. The main areas reported as 'high' importance covered:

- Out of date and inaccurate link officer list;
- Completion of funding agreements not up to date;
- Omission and inconsistencies in PDSP reporting; and
- Adherence to Health Check process;

An action plan was prepared to address these issues. This report updates Audit Committee on progress with implementation of the action plan.

D2 Health Checks 2017/18

Following the Internal Audit report, officers were tasked with looking at the main findings and addressing the key issues identified. The main area of focus was to update the health check and funding agreements. On investigation it was clear that very few were up to date and there was a lack of historic records to draw upon. This had been exacerbated by a gap created due to an uncompleted transition move, reported to PDSP, that the health check process would be replaced by an alternative approach, including the use of online tools and external accreditation systems such as PQASSO (Practical Quality Assurance System for Small Organisations) and how these may relate to the council's West Lothian assessment Model (WLAM) approach. This work had expected to be completed and in place for the 2017/18 financial year. However, a number of factors, including staff changes, meant that the previous health check approach was not been completed fully or consistently over the past two years.

Within this context officers were asked to carry out health checks and update the service funding agreements. Health checks were carried out between 23 August and 30 November 2017 on 24 funded organisations to ensure that all had an up to date and signed health check. At the same time updated service funding agreements (SFA)

were completed for the funding awarded in 2017/18. The funding agreements were updated with the most recent outcomes unless specific changes were requested (see Appendix 1).

Prior to the health checks the previous health check form was reviewed and a new form was used. This was due to anecdotal feedback from Link Officers and organisations that the 59 question traffic light based form was not user friendly. It was also felt that the traffic light system focussed on the number of red indicators recorded but made no distinction between the scale of the risk associated with each red indicator. The new form is robust but has a reduced number of questions and is structured to allow discussion. It remains focussed on the organisations governance, finances and performance, as with the previous system. On completion, an action plan was agreed, both by the organisation and West Lothian Council, with timescales agreed which are reflective of the risk.

Appendix 2 gives an overview of the process and identifies suggestions and issues for further consideration moving forward. The main points for note and consideration are:

- The suggestion to delineate the process between the health check, i.e. the focus on governance, and the link officer role to focus on the outcomes as set out in the SFA and be the day to day link person;
- The possibility of looking at whether there was a way to help organisations identify potential board members and whether training for board members could be provided;
- Simplified checklist based health checks with meetings requirements reduced for smaller organisations who are in receipt of small funding settlements and option to meet as necessary;
- Review the current requirement for SFAs for all in relation to proportionality to the amount awarded and size of the organisation; and
- Note the current lack of link between the amount received and the activities delivered due to historic nature of the awards.

The process has allowed officers to bring key paperwork up to date and provide a base from which to look forward. However, the effect on this of the budget setting and funding review needs to be considered and recommendations for 2018/19 are set out below.

D3 Funding and process in 2018/19

There will be a continuing role for a Link Officer and this list has been updated and guidance drawn up on what is expected from both the Link Officer and the organisation (see appendix 1 and 3). This was also something also highlighted in the Audit report. The Audit report also noted the need for a formal policy and procedures document, referring to a detailed Contract Monitoring Framework used by Social Policy and potential for inconsistencies from different approaches. A new monitoring form is being used to capture the reporting on the outcomes in the Service Funding Agreement as well as get a sense of what the organisation is delivering in general for the funding and allow for an increased narrative element. However, with the review of funding to the voluntary sector taking place following the Council setting its budget this is an area that would suit a fuller review as part of that process to allow for better monitoring, review and strategic links to Council priorities.

Also linked to the wider review, following the budget setting, of funding to the voluntary organisations over the coming months to identify the agreed budget savings a recommendation has been made to the Voluntary Organisations PDSP that the full health check process is not carried out in 2018/19, both due to the recent nature of the

exercise being felt to be up to date and the potential future changes and impact on organisations. Once future arrangements are clear the health check will be revisited in 2019/20. This will give time to further develop processes and put in place a system appropriate to whatever changes the review dictates.

Linked to this where funded organisations have a SFA in place for 2017/18 there is an expectation that these will be reviewed and updated prior to 2018/19 funding being released. With the potential implications of the funding review it is proposed that the 2017/18 funding agreements are rolled over to cover 2018/19 rather than reviewed at this time. This is allowed within Section 2.2 of the 2017/18 SFA as long as they are meeting agreed targets. It should be noted that the few who don't have Agreements in place for 2017/18 and where detailed discussion is due to agree future outcomes will be part of the review so an interim reporting agreement will be put in place.

The original Audit report also noted that the future reporting for voluntary organisations and the responsibility for ensuring adherence to policy and procedures would be the responsibility of the Community Planning and Regeneration Manager once appointed. It should be noted that this post remains unfilled and the reporting responsibility sits with the Economic Development and Regeneration Manager. Due to the review on funding taking place this may change depending on the outcome of the process.

E. CONCLUSION

Members are asked to note that the issues highlighted by an Internal Audit in May 2017 have been addressed and new processes are being put in place for 2018/19. It is further asked to note the general review of funding that will take place in 2018/19 and that there is potential to make further changes to monitoring and health check processes going forward.

F. BACKGROUND REFERENCES

1. Audit Committee Report June 2017
<http://coins.westlothian.gov.uk/coins/submissiondocuments.asp?submissionid=35190>
2. Voluntary Organisations PDSP Report September 2017
<http://coins.westlothian.gov.uk/coins/submissiondocuments.asp?submissionid=35963>
3. Voluntary Organisations PDSP Report March 2018
<http://coins.westlothian.gov.uk/coins/submissiondocuments.asp?submissionid=37787> (Note: papers published but meeting postponed)

Appendices/Attachments: Appendix 1 Health Check list of organisations
Appendix 2 Health Check 2017 Report
Appendix 3 Link Officer Role and updated list

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Craig McCorriston

Head of Planning, Economic Development and Regeneration

19 March 2018

Voluntary Organisations Health Checks 2017

Appendix 1

	Organisation	Health Check carried out	Health Check Action Plan Signed off	SFA 2017/18 Signed Off	SFA update Feb 2018	Comment
1	Linlithgow Link	23/08/2017	Signed Off	Signed Off	Received	
2	Almond Valley Heritage Trust	24/08/2017	Signed Off	Signed Off	Received	
3	Firefly Arts (Formerly West Lothian Youth Theatre)	30/08/2017	Signed Off	Signed Off	Received	
4	Linlithgow Young Peoples Project	01/09/2017	Signed Off	Signed Off		
5	Lothian Community Transport Services	04/09/2017	Signed Off	Signed Off	Received	
6	HcL (Handicabs)	04/09/2017	Signed Off	Signed Off	Received	
7	Ladywell Neighbourhood Network	05/09/2017	Signed Off	Signed Off	Received	
8	Boghall Drop In Centre	05/09/2017	Signed Off	Signed Off	Received	
9	Craigshill Good Neighbour Network	06/09/2017	Signed Off	Signed Off	Received	
10	50+ Network	11/09/2017	Signed Off	Signed Off	Received	
11	Whitburn Community Development Trust	11/09/2017	Signed Off	Signed Off	Received	
12	Pit Stop	13/09/2017	Completed.	N/A	N/A	Grant awarded for upkeep of the changing facilities for the football pitch and not linked to specific outcomes.
13	Citizens Advice Bureau West Lothian	18/09/2017	Signed Off	Signed Off	Received	
14	Lothian Shopmobility	20/09/2017	Signed Off	Signed Off		
15	Daisy Drop In	20/09/2017	Signed Off	Signed Off	Received	
16	Dedridge Good Neighbour Network	21/09/2017	Signed Off	Signed Off		
17	West Lothian Social Enterprise Network	26/09/2017	Signed Off	Signed Off	Received	
18	West Lothian Financial Inclusion Network	27/09/2017	Signed Off	Signed Off	Received	

19	West Lothian Youth Action Project	08/11/2017	Signed Off	Given the complexity and level of funding work needs to be done to identify robust SFA indicators.	N/A	
20	Knightsridge Adventure Project	02/11/2017	Signed Off	No SFA in place. Indicators to be agreed for 2018/19	N/A	
21	Victim Support West Lothian	08/11/17	Signed Off	Signed Off	Received	
22	Community Action Blackburn	09/11/2017	Signed Off	Signed Off	Recieved	
23	Linlithgow Heritage Trust	27/11/2017	Signed Off	Signed Off		
24	Bennie Museum	30/11/2017	Completed. Awaiting organisation signing off.	Signed Off		
25	Family and Community Development West Lothian (Mayfield Community House)	N/A	Separate Health Check carried out by Social Policy.	Signed Off	Received	
26	Voluntary Sector Gateway West Lothian	N/A	Due to the restructuring process general Health Check carried out between VSGWL and Head of Economic Development and Regeneration	No SFA currently in place.	N/A	Look to develop SFA for 2018/19.
27	West Lothian Credit Union	N/A	N/A	No SFA in place as funding only covers rent with some monies to support office costs.	N/A	Given the nature of the organisation, the small specific grant given and its coverage under the Financial Services regulations it was agreed that no

						Health Check should be carried out.
28	Regal Theatre, Bathgate	N/A	N/A	N/A	N/A	Regal Theatre wound up in 2017.

Voluntary Sector Health Check 2017

1. Background

Organisations funded through the Voluntary Organisations Budget are subject to an annual health check and a link officer is appointed to each organisation. The health check looks at general governance issues to ensure the organisation is robust and compliant, and is an opportunity for the link officer to flag up any concerns or issues. In addition to the health check the organisation will update on what it has achieved in the financial year in relation to the Service Funding Agreement and update that agreement accordingly each year.

In 2015, after discussions with the Third Sector and through the Voluntary Organisations PDSP, officers started to look at options for moving from the health check approach to a self-evaluation model, making greater use of external accreditation using recognised tools like PQASSO and giving closer alignment to the Council's WLAM system. Whilst some organisations had used PQASSO, the intention had been to support all funded organisations to work towards this, and the new process would have been in place for 2015/16 financial year. However, the work was not concluded at the time and put back to 2016/17. This work remains incomplete.

As a result of this work the process of carrying out health checks with all organisations that received funding was not carried out in the 2015/16 financial year. A standalone exercise was carried out to contact only organisations with existing amber and red indicators and, due to the delay in agreeing the replacement system, a new round of health checks were agreed to be carried out during 2016/17. Over this period an Internal Audit review was carried out which highlighted a number of concerns around lack of documentation available in relation to health checks and link officers lists not being up to date. The audit made a number of recommendations to be addressed going forward.

2. Health Check 2017

Following the audit, officers reviewed previous health checks and Service Funding Agreements and found that there were a number of gaps. As a result it was decided that officers would carry out a new health check on all organisations funded directly by, or where funding was administered through, Economic Development and Regeneration. Due to the gaps in the Link Officer list and for consistency, two officers completed this work.

Prior to the start of the process officers took the opportunity to review and amend the Health Check form. The main changes were to reduce the number of questions and to take out traffic light system element. The new form is intended to adopt a more proportionate and conversational approach and generate an action plan based on the output from the review, with specific actions and timescales. The new form was discussed at the Voluntary Organisations PDSP in September 2017.

The new health checks were carried out between 23 August and 30 November on 24 funded organisations. Whilst a follow up survey is currently being carried out to get feedback on the new format, direct feedback at the time had generally been positive and constructive. The feedback will be used to shape the form and the format going forward.

3. Service Funding Agreements update

Officers have looked at Service Funding Agreements (SFA) on file for each health checked organisation and when the latest version was dated. For the majority of organisations work was required to bring these agreements up to date. New agreements are now in place and have been signed off for 2017/18.

The SFA should be in place at the start of the financial year so discussion has taken place with all organisations advising them that these will be reviewed again in February/March 2018, once budgets are agreed, and signed off prior to the release of funding for 2018/19.

4. Role of Link Officer

The health check is partly a snap shot of the organisation at the time and provides an opportunity to monitor and determine the standards and procedures that will cover the organisation over the next year. For example monitoring their accounts covers the full last year and the forecasts for the coming year. It is essentially making sure that the key elements of good governance are in place and it looks at accounts, policies and procedures. Previously, the link officer role also involved being the day to day contact point. They would be copied into all board meeting papers and attend occasional board meetings of their organisations. Over the last two years, as the work focused on moving from the existing health check process to a possible new online system, a number of gaps have appeared in the Link Officer list. The role remains important to the council and is welcomed by the organisations. Every attempt has been made to assign an officer who has an understanding of the organisations work and is best placed with regards to updating the SFA and the indicators in relation to what the council is looking to buy. Given the timing all funded organisations will be informed of their Link Officer at the start of 2018/19 once budget decisions are taken and funding is clear.

It is suggested that the role itself will change slightly in 2018/19 with the health check forms continuing to be completed by two officers centrally, as in 2017. Therefore, the focus of the link officer role will be around providing support, being first point of contact and updating the Service Funding Agreement each year. As before, the organisation will be asked to copy the link officer into the distribution list for board papers and minutes. The officer will continue to attend at least two board meetings a year, including the AGM. They would also help ensuring that the Health Check Action Plan is carried out.

Link officers will have a better understanding from the closer working relationship to advise and identify whether the processes that are in place are working or whether there are any issues and flag them up centrally. With this in mind it is also proposed that additional questions are added to the health check form going forward to allow the link officer to comment as part of the process.

5. Matters for consideration

5.1 Health Check - Training

Following the completion of the health checks in 2017 there were a few areas that came up fairly consistently. These were not necessarily major concerns, as these are no doubt true of the third sector as a whole, but they do merit consideration.

There are general problems for many organisations in identifying board members and, in particular, ones that provide the skills set needed to run an organisation. This is not easily addressed but consideration should be given to how to provide support for organisations funded through the Voluntary Organisations Budget to deliver board training and whether there is a way to do something generic to identify potential board members from across West Lothian.

Consideration should also be given to whether, as a funded organisation, we should specifically require them to engage positively with any training that is delivered.

5.2 Health Check – Future approach

Consideration should be given to how the health check process is carried out in future years. In developing the form further it is suggested that some elements of the health check could be prepopulated and submitted in advance by the organisation and that forms the basis of discussion. The checklist of policies and key documents would be listed more formally to make it easier to put these together and this can be made available either in advance, on the day, or submitted promptly thereafter.

There is also an argument for the health check to be proportional to the level of funding received by the organisation. For discussion purposes the funding can be looked at in five categories:

- 4 receive over £100k
- 5 receive between £50k and £99k
- 8 receive between £25k and £50k
- 6 receive between £10k and £24k
- 4 receive under £10k

The recommendation is that the four in receipt of under £10k should not be required to go through a full health check but complete an annual mini health check by email, which would be a pro-forma and copies of key documents. If, for whatever reason, a full meeting is necessary or requested then that would be facilitated.

For those between £10k and £24k there should be the presumption of a health check but this may be waved should information received provides enough detailed information to allow Offices to sign off without the need for a physical meeting.

For those receiving £25,000 and above the full Health check as currently processed.

Consideration should also be given to whether the Health Check is required annually. It was evident to Officers that once the health check was carried out and documents provided that the subsequent Health Check could be progressed quicker, recognising that time pressure on both offices and the organisations.

5.3 Service Funding Agreements – Future approach

It is clear that for some of the organisations, a full Service Funding Agreement is not appropriate. This was touched on in the Internal Audit report. For the smaller amounts, as above those in receipt of less than £10,000, it may be that the award letter would cover this, or a short condition of grant

form rather than the full SFA. Consideration should be given to this. It may be that that level should be higher.

A general point was made by a few organisations that the SFA indicators restricted their ability to fully show what they do as an organisation and that they would welcome the opportunity to give a more rounded report on their work over the year. This is likely to be closer to the organisation's Annual Report, which we already ask for. However, where we more or less fully fund that organisation, the Annual Report will effectively be the year's outcomes report, particularly for smaller organisations.

A new reporting template has been sent to all organisations with an SFA in place to ask for an update on progress. This allows some flexibility on how they present their information. In particular it allows for the ability to include narrative, either within the template or as an appendix to it, which wasn't easy to do using the previous template. It also asks for a breakdown of how they have utilised the funding throughout the year. This is something not specifically requested previously but Officers feel that is important to have an understanding of how the funding is utilised each year. This is expanded upon in the next section.

The timing of this is intentional with the completion being requested in January so that, if required, it can help inform the budget discussions and any subsequent discussions on the SFA for the following year. It is recognised that this will provide only 9 or 10 months information but it is useful to have at that point. Organisations will be asked to update this at the end of the financial year to give a complete picture.

The content of the SFA are generic and last reviewed in May 2014. It is recommended that these are reviewed to reflect changes, possibly via legal and procurement.

There have been a couple of queries about the status of the SFA in terms of VAT and corporation tax implications. The SFA appears to be somewhere between a grant and a contract for the delivery of a service. It is essentially a Service Level Agreement but as mentioned above this is probably too much for some of the funding received and the size of organisation. Consideration should be given to whether some should be grants, SFA/SLA or more clearly a contractual arrangement.

5.4 Funding

The funding received by each organisation is based on a historic agreement, and the council pays this amount each year; there has been no increase in recent years or any review of the amounts allocated. The funding is not always tied to specific activities or staff posts so they are able to use the funding as they wish to deliver the outcomes set out in the SFA. Essentially some groups see this as core funding from WLC. As a result of this it is difficult to correlate the outcomes in the SFA to the amount of funding provided.

The result is that there is not a specific breakdown of how the funding is utilised each year, although as referenced above we have asked for an indicative breakdown for 2017/18 to get an idea of how organisations are utilising the funding for the first time. There are pros and cons to this with some organisations welcoming the flexibility they have to use the council funding, or part of it, to attract other external funding. Others state that it effectively pays for the same thing each year so asking

for this to be detailed would not be difficult. Moving forward a mixed approach to this could work, where flexibility is given to those that can show it has brought in additional funding.

6. Conclusion

A health check has been carried out with 24 funded organisations and new Service Funding Agreements have been put in place. This follows a gap in the health check process in 2015/16 and an inconsistent approach in 2016/17. In 2017/18 a new form was used and, for consistency, the same two officers carried out all the checks. Funding agreements are due to be reviewed again with all organisations prior to their funding being released for 2018/19 with a view to developing the health checks and Service Funding Agreements to ensure they are proportionate and clearly aligned to West Lothian Council priorities.

This has to some degree been superseded by the general review of funding for the third sector agreed in the Council's budget set on 13 February 2018. The proposal, set out in the covering report, is that the health checks are recent enough to cover the 2018/19 financial year and that the Service Funding Agreements (SFA) allow for the roll over to 2018/19 if targets are being met. It is suggested that with the focus on the overall review of funding it would be sensible to focus on that in 2018/19 and revisit the Health check process and SFA once future funding decisions have been made.

Douglas Grierson

Community Regeneration Officer,

Economic Development and Regeneration

February 2018

Link Officer List 2018/19 and Guidance

DRAFT Health Check and Service Funding Agreement Procedures 2018/19 onwards

Following the Health Check process in 2017 there will be a few changes to the 2018/19 process. In 2018/19 the health check will be carried out by two officers; a Community Regeneration Officer and a Business Advisor, overseen by the Economic Development and Regeneration Manager.

The health check form has been updated and is an easy to use monitoring and improvement tool aimed at helping voluntary organisations become more robust and sustainable.

The new health check form includes link officer input, as they will be asked to include their comments in the report before it is signed off.

Link Officer Role

As previously each organisation will be appointed a link officer. An attempt has been made to ensure that the officer will be the most appropriate officer for the organisation in terms of the area of work, either thematically or geographically. The role of the link officer will focus on the outcomes being 'purchased' and work with other officers on any general governance or other issues identified in the Health Check and related action plan.

The link officer role provides an identifiable link between West Lothian Council and the voluntary organisations commissioned to deliver outcomes on behalf of council, ensuring compliance with council policy and procedures, Best Value principles and Following the Public Pound guidance.

This should be proportional to the funding but is expected to include attending regular meeting throughout the year, attendance at board meetings, receiving copies of board papers etc.

- Responsibility for the agreement and monitoring of the Service Funding Agreement (SFA) each year.
- Responsible for relevant aspects of the action plan agreed at the end of the health check.

As the role is primarily about the SFA and the outcomes it is not perceived that additional training will be required. However, this will be monitored on an ongoing basis. However, unlike previously Link Officer will be able to draw upon the Business Advisor or Community Regeneration Officer for advice and support.

Key Tasks:

- Ensure compliance with:
 - o Following the Public Pound Guidance
 - o Council's Financial Controls and Procedures
 - o Principles of Best Value

- o Voluntary Organisations Health Check Action Plan
- o Act as first point of contact between organisations and West Lothian Council
- Inform organisations of relevant council policy
- Ensure that all organisations are aware of council's 'Financial Controls and Procedures' and Voluntary Organisations Health Check
- Support organisations to build their capacity to comply with Best Value
- Monitoring against agreed outcomes set in Service Funding Agreement, or equivalent, and ensure a report is completed each year. This should be fully completed in April /May at the end of the financial year. To allow informed decision making around budget setting and to advise the Voluntary Organisations PDSP a snap shot of progress may be requested around December each year to ensure any issues are identified prior to budget decisions being taken.
- Review and update the Service Funding Agreement, or equivalent, in February/March each year, prior top funding being released. All paperwork should be signed and dated by both parties and returned to the Community Regeneration Officer for scanning and filing on the Council's Objective system.
- Attend at least two meetings (ideally including the AGM). This will be up to the Link Officers discretion and the Officer may attend more if necessary, or indeed they are able to.
- As a first point of contact for WLC the role is also one that should offer additional support such as signposting organisations to appropriate support agencies, including other Council services. Again the Officer should use their discretion and their individuals own skills set will be a factor in any advice given.

The Business Advisor and Community Regeneration Officer Role

The Business Advisor and Community Regeneration Officer will focus on the Health Check which will continue to focus on governance and in particular the suitability and robustness of financial arrangements and processes; with an overarching monitoring role for advice and support to the Link Officer and the funded organisation .

The Link Officer will be important to the Health Check and will have an input into the report. As the Health Check is essentially a snap shot at the time of the check and focusses of policy and processes being in place. However, the Link Officer, through their more day to day role and being in receipt of board papers, attending meeting etc. will have a better understanding of how the organisation puts these into practice throughout the year. For example does the organisation follow its own policies and procedures effectively.

The health check will identify any weaknesses or issues of concern and provide the organisation with an action plan and timescale to address any issues identified. These actions will vary considerably from serious concerns that need to be addressed urgently and which may affect the release of any future funding ,or return of existing , to minor good practice advice that they should consider and

address, if appropriate, over a longer time frame. The process will also have potential actions for officers to follow up on behalf of the organisation.

Service Funding Agreement

The Link Officers principle responsibility is delivery of the Service Funding Agreement (SFA). This should be refreshed each year and signed off prior to funding being released. The SFA is essentially the 'contract' to which the organisation agrees to deliver on a series of outcomes for the funding received.

The reporting format should be proportionate to the level of funding received. For some small organisations in receipt of small amounts of funding their annual report may be a simple way of reporting back to the Council on activities. Others should provide a written report, again in proportion, using the heading agreed in the SFA. This would therefore allow for both qualitative and quantitative feedback. A new template to capture this will be put in place for the end of 2017/18. The first draft of this has been used with groups for interim purposes and will be tweaked before the final report back in early 2018/19.

Timescale

The process will now be in two parts. The Annual Health Check will be carried out once a year at a suitable date to be agreed between the Council and the Organisation. This is likely to be at an agreed point after the summer holiday period is over. The focus will be on the governance arrangement and compliance, including finances and should include the full audited accounts for the year in question. If this is not available it should be based on a draft but with the completed audited accounts forwarded ASAP. This will be carried out by an identified Business Advisor from Economic Development.

The Service Funding Agreement will be reported on and updated in a more specific timeframe dictated by Council budget decisions. This will be done in three parts:

1. In December/January the Link Officer will request update on the SFA performance for the financial year to date. It is accepted that this is an interim report to allow the Council decision process.
2. In February/ March, based on the Council budget decisions as well as any concerns over the SFA performance, the Link Officer will agree the new SFA for the forthcoming financial year. This will be signed off by both parties. This must be done prior to any funding being released.
3. In April/May the Link Officer will request the full final report on the 12 month SFA performance.

The Link Officer will pass these to the Community Regeneration Officer for filing. They will also draw to the attention of that officer any issues around the performance.

Signed copies will be held electronically by WLC and paper/electronic copies held by the organisation.

Douglas Grierson

Community Regeneration Officer

February 2018

Link Officers 2018/19

Organisation	Link Officer 2018/19	Service
Handicabs (Lothian)	Nicola Gill	Transportation
Lothian Community Transport Services	Nicola Gill	Transportation
Linlithgow Link	Nicola Gill	Transportation
Daisy Drop In	Lesley Keirnan	Community Regeneration
Dedridge Good Neighbour Network	Lesley Keirnan	Community Regeneration
Ladywell Neighbourhood Network	Lesley Keirnan	Community Regeneration
Mayfield Community House (F&CDWL)	Michelle Kirkbright	Community Regeneration
Community Action Blackburn	Michelle Kirkbright	Community Regeneration
Knightsridge Adventure Project	Scott McKillop	Community Regeneration
Whitburn Community Development Trust	Scott McKillop	Community Regeneration
Craigshill Good Neighbour Network	Laura Wilson	Community Regeneration
Pit Stop	Laura Wilson	Community Regeneration
Boghall Drop In Centre	Nairn Pearson	Community Regeneration
50+ Network Bathgate	Nairn Pearson	Community Regeneration
West Lothian Youth Action Project	Beverley Akinlami	Community Regeneration
Voluntary Sector Gateway West Lothian	Alice Mitchell	Community Regeneration
Citizens Advice Bureau WL	Anne Stevenson	Advice Shop
West Lothian Financial Inclusion Network	Elaine Nisbet	Advice Shop
West Lothian Credit Union	Elaine Nisbet	Advice Shop
Firefly Arts	Laura Tyrell	Arts Services
Bennie Museum	Emma Peattie	Museum Services
Linlithgow Heritage Trust	Emma Peattie	Museum Services
Almond Valley Heritage Trust	Emma Peattie	Museum Services
West Lothian Social Enterprise Network	Martin Thomson	Community Regeneration
Victim Support West Lothian	Douglas Grierson	Community Regeneration
Linlithgow Young Peoples Project	Douglas Grierson	Community Regeneration
Lothian Shopmobility	TBC	TBC



AUDIT COMMITTEE

INTERNAL AUDIT OF THE ADMINISTRATION OF SCHOOL MEDICATION

REPORT BY HEAD OF EDUCATION (LEARNING, POLICY AND RESOURCES)

A. PURPOSE OF REPORT

To inform the Audit Committee on the progress of agreed actions following the outcome of an internal audit of the administration of school medication within Education Services.

B. RECOMMENDATION

It is recommended that the Audit Committee notes the progress to date.

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)	Compulsory procedures "Management of Pupils with Health Care Needs" dated May 2015
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 within Education Services as part of the Audit Process

D. TERMS OF REPORT

In accordance with the council's Internal Audit Plan for 2017/18, an audit was undertaken of the administration of school medication within Education Services. The Audit, Risk and Counter Fraud Manager concluded in a report to the Audit Committee on 18 December 2017 that control in this area of service delivery was unsound.

An Action Plan containing agreed management actions was agreed and Education Services instructed to report back to committee on the progress of the implementation of the Action Plan in March 2018.

A summary of the Action Plan and progress to date is attached as Appendix 1 to this report. Education Services appreciate the assistance of the Audit, Risk and Counter Fraud Manager and the Health & Safety Team during the audit process and formulation of the relevant actions.

E. CONCLUSION

The agreed Action Plan to address the control measures within Education services in relation to the Management of Medication in Schools is in progress in line with agreed timescales.

F. BACKGROUND REFERENCES

- Report to the Audit and Governance Committee 27 February 2017: Internal Audit Plan 2017/18.
- Report to the Audit Committee "Internal Audit of the administration of School Medication" 18 December 2018.

Appendices/Attachments:

Summary of Action Plan as agreed in Internal Audit report: 11/12/17: School Medication

Contact Person:

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James Cameron

Head of Education (Learning, Policy And Resources)

Date of meeting: 19 March 2018

Summary of Action Plan as agreed in Internal Audit report 11/12/17: School Medication

Findings and Risks	Agreed Action	Agreed Timescale	Comments
<p>1. Pentana Performance: Internal Controls for Risk ED008</p> <p><u>Risk</u></p> <p>Misleading and ineffective controls in Pentana resulting in an incorrect assessment of the service risk.</p>	<p>Update Pentana with risk actions as follows:</p> <ul style="list-style-type: none"> • Presentation of audit outcomes to be delivered at next Head Teacher Leadership Meeting. • Once finalised, the revised guidance ('The Handbook of Procedures for the Management of Pupils with Healthcare Needs in Educational Establishments') will be available to all schools. (existing guidance updated on line to address issues from audit findings). • Launch of revised guidance will be supplemented with awareness raising training for Head Teachers and/or nominated member of school Senior Management Team. • An (mandatory) Annual Health & Wellbeing Conference will be organised from academic session 2018/19 to include a range of compliance procedures. • A central register of Head Teacher compliance checks to be recorded and monitored. • Quality assurance procedures being finalised and will include: <ul style="list-style-type: none"> (i) an audit survey based on the procedures, devised via Health & Safety Team. (ii) schools to complete the annual audit online using RIVO (iii) the online information from 30% of schools across the authority will be validated through school visits with actions from the online audit and school visits addressed by Inclusion & Wellbeing Service on an individual basis. 	<p>With immediate effect (December 2018)</p>	<p>Completed.</p> <p>(Ongoing updates to Petana as and when scheduled progress is made on agreed actions.)</p>

Findings and Risks	Agreed Action	Agreed Timescale	Comments
2. IHCP Completion <u>Risk:</u> Errors or accidents when assisting pupils with care or medication.	1. Update the existing guidance to allow a letter detailing medication/care and signed by the hospital consultant/specialist nurse or a photocopy of a signed prescription to replace a medical practitioners' signature on the IHCP.	January 2018	Completed
3. Training <u>Risk:</u> Ineffective care as a result of inadequate training and increased potential for errors or accidents in the administration of medication.	2. The suggested revised review page of IHCPs to be included in the revised guidance.	January 2018	Completed
	3. Continue arrangements for access to the NHS ASL Nurse based within Edinburgh (via Community Child Health) to advise and consult regarding individual cases through the Inclusion & Wellbeing Manager pending the final outcome of the revision of the Service's Procedures.	Ongoing	Completed
4. General Administrative Observations <u>Risk:</u> Inadequate implementation of procedures, leading to harm to pupil	4. Presentation of Audit outcomes to be delivered at next Head Teacher Leadership Meeting.	18 January 2018	Completed
	5. Once agreed, the revised guidance ('The Handbook of Procedures for the Management of Pupils with Healthcare Needs in Educational Establishments') will be available to all schools.	31 August 2018	Completion due by 19 th April 2018
5. Internal Review of Administration of medication <u>Risk:</u> Inadequate implementation of procedures, leading to harm to pupil	6. Launch of revised guidance to be supplemented with awareness raising training for Head Teachers and/or nominated member of school Senior Management Team which will address all audit findings and will reinforce the message that: (i) All IHCPs must be signed by both the school SMT and the parent. (ii) Schools must follow the Handbook guidance and use appropriate asthma forms from the Handbook and not use the Asthma UK 'My Asthma Plan' document. (iii) all Head Teachers are required to ensure training has been carried out. (iv) Reference to be included in generic risk assessment to the recording of controlled drugs being counted in and out showing running total and being double-signed for on record form. (v) Guidance on disposal of medication is highlighted again in revised guidance, including requirement to register with SEPA as a professional carrier and transporter of waste.	31 August 2018	Completion due by 19 th April 2018
	7. An (mandatory) Annual Health & Wellbeing Conference to be organised from academic session 2018/19 to include a range of compliance procedures.	Academic session 2018/19	Completion due by 19 th April 2018
	8. A central register of Head Teacher compliance checks to be recorded and monitored.	9 April 2018	On target

	<p>9. Quality assurance procedures to include:</p> <ul style="list-style-type: none"> (i) an audit survey based on the procedures, devised via Health & Safety Team. (ii) schools to complete the annual audit online using RIVO (iii) the online information from 30% of schools across the authority will be validated through school visits (iv) actions from the online audit and school visits will be addressed by Inclusion & Wellbeing Service on an individual basis 	Start date 8 January 2018	<p>On target – procedures developed for delivery at training on 19 April 2018</p> <p>School visits by end June 2018.</p> <p>Additionally, H&S Team verification of 10% of schools.</p>
Findings and Risks	Agreed Action	Agreed Timescale	Comments
<p>6. Generic Risk Assessment</p> <p><u>Risk:</u> Inadequate understanding of risk leading to inappropriate administration of medication</p>	A generic risk assessment template will be appended to revised guidance document ('The Handbook of Procedures for the Management of Pupils with Healthcare Needs in Educational Establishments') for completion by schools.	31 August 2018	Completion due by 19th April 2018
<p>7. Side Effects</p> <p><u>Risk:</u> Inadequate consideration may be given to the possibility of an adverse reaction.</p>	<p>In revised guidance ('The Handbook of Procedures for the Management of Pupils with Healthcare Needs in Educational Establishments') the forms clearly state that medication must not be administered for the first time during the school day by including the wording 'I have given the first dose of this medication to my child and no adverse reaction has been observed.'</p> <p>This reference has also been included within parental responsibility section of the procedure guidance.</p> <p>School staff to follow emergency procedures if pupil displays potentially life threatening symptoms. School staff inform parents/carers of any wellbeing concern during the school day. It is not recommended that school staff are placed in a position of diagnosing medical conditions (including side effects) or using such information to make medical judgments about re-use of drugs following a side effect. This instruction has been added to the existing procedures.</p>	31 August 2018	Completion due by 19th April 2018

Findings and Risks	Agreed Action	Agreed Timescale	Comments
<p>8. Treatment Table</p> <p><u>Risk:</u> Administration of medical treatment outwith scope of council policy leading to harm and / or potential litigation.</p>	<p>Treatment table will be removed from existing policy and not included in the revised procedures. The following statement will be added to both current and new versions:</p> <ul style="list-style-type: none"> • “School staff must ensure that: each pupil who receives a medical procedure or intervention in school has a specific Individual Healthcare Plan signed off by the pupil’s parents, the school Head Teacher and the hospital consultant/specialist nurse. Attaching a letter detailing medication/care and signed by the hospital consultant/specialist nurse or a photocopy of a signed prescription can replace a medical practitioner’s signature on the Individual Healthcare Plan. • the Individual Healthcare Plan must include full details of the emergency procedures in the event of a medical emergency. • the pupil’s parents have provided written consent for a non-medical or healthcare practitioner to provide the medical procedure or intervention to their child. • the staff member who is providing the medical procedure or intervention has received full training from a registered medical or healthcare professional, and has been signed off as fully competent in the procedure they are providing. • the employee who is providing the medical procedure or intervention has provided written confirmation that they have read and understood the Individual Healthcare Plan.” 	January 2018	Completed
<p>9. Gallagher Bassett Recommendations</p> <p><u>Risk:</u> Inadequate hygiene procedures leading to spread of infection.</p>	<p>Incorporate hygiene section in revised guidance handbook (‘The Handbook of Procedures for the Management of Pupils with Healthcare Needs in Educational Establishments’).</p> <p>Also incorporate hygiene section into existing procedures pending newly published Handbook.</p>	January 2018	Completed



AUDIT COMMITTEE

AUDIT SCOTLAND REPORT – EARLY LEARNING AND CHILDCARE

REPORT BY HEAD OF EDUCATION (LEARNING, POLICY AND RESOURCES)

A. PURPOSE OF REPORT

To provide the Audit committee with a summary of the report produced by Audit Scotland on the Scottish Government's policy to increase funded early learning and childcare, and the position in West Lothian.

B. RECOMMENDATION

To note the report produced by Audit Scotland on the Scottish Government's policy to increase funded early learning and childcare, and the position in West Lothian.

C. SUMMARY OF IMPLICATIONS

I	Council Values	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)	Children (Scotland) Act 2014 and accompanying Statutory Guidance.
III	Implications for Scheme of Delegations to Officers	None
IV	Impact on performance and performance Indicators	Performance indicators have been constructed to measure the increased availability of flexible early learning and childcare, and wraparound childcare in West Lothian.
V	Relevance to Single Outcome Agreement	None
VI	Resources - (Financial, Staffing and Property)	The expansion to 600 hours, and the planned expansion to 1140 hours have been supported by additional Scottish Government grant, and have resulted in expansions to the workforce, and school estate utilising this funding and

also funding identified within the West Lothian Capital Programme.

VII Consideration at PDSP 13 March 2018

VIII Other consultations None.

D. TERMS OF REPORT

D.1 AUDIT SCOTLAND REPORT

The Audit Scotland report 'Early learning and Childcare' published in February 2018 contains the following key messages.

1. The Scottish Government's policy to increase funded early learning and childcare (ELC) is consistent with national strategic objectives around improving the lives of children and their families. The Scottish Government and councils have worked well together to expand provision. Parents are positive about the benefits of funded ELC for their children.
2. The Scottish Government implemented the increase in hours without comparing the cost and potential outcomes of alternative ways of expanding funded ELC to achieve its aims of improving outcomes for children and parents. It has invested almost £650 million of additional funding since 2014 to expand funded ELC to 600 hours but it did not plan how to evaluate the impact of the expansion. This means it is not yet clear whether this investment is delivering value for money.
3. In most councils the majority of children still have a part-day funded ELC place in a council setting, although the range of options has increased. Parents in our research said funded ELC had a limited impact on their ability to work due to the hours available and the way in which those hours were provided.
4. There are significant risks that councils will not be able to expand funded ELC to 1,140 hours by 2020. In particular it will be difficult to increase the infrastructure and workforce to the levels required, in the limited time available. The Scottish Government should have started detailed planning with councils earlier, given the scale of the changes required.
5. The Scottish Government expects the cost of delivering 1,140 hours of funded ELC will be about £840 million per year. Councils were required to prepare their initial plans for the expansion without some important information about how the system will operate from 2020. While councils' plans will change over time, initial estimates of the cost of funded ELC following the expansion to 1,140 hours are about £1 billion per year, significantly higher than the Scottish Government's figure.

The report recommends that to deliver 600 hours of funded ELC in line with the national policy:-

The Scottish Government should:

- Work with the Department for Work and Pensions (DWP) and HM Revenue and Customs (HMRC) to allow councils to receive information on eligible two-year-olds so they can more accurately target eligible families.

- Update the statutory guidance to clarify the distinction between flexibility and choice. This will help ensure councils understand what is required and parents understand what they can reasonably expect from their council.

The Scottish Government and councils should:

- Develop better links between the increase in funded hours and programmes to support parents, at a local and national level, into work, training or study.
- Provide clearer information for parents to help them understand how funded ELC is provided locally.

Councils should:

- Develop commissioning strategies for funded ELC that set out information on demand, capacity, cost, quality, flexibility and parental preferences.
- To progress planning for 1,140 hours of funded ELC and reduce the risks of failing to deliver on time:

The Scottish Government should:-

- Update the statutory guidance following agreement on important aspects of 1,140 hours, such as funding follows the child and delivering flexibility.
- Continue to develop the detail of how they will evaluate the expansion to 1,140 hours and ensure baseline data is available.

The Scottish Government and councils should:

- Urgently finalise and implement plans for changes to the workforce and infrastructure to address the significant risks of not being able to deliver on time.
- Collect better information on the cost of different models of ELC and their impact on children's outcomes to allow them to better plan for the expansion.
- Work with partner providers of both funded and non-funded ELC to understand the impact of decisions on the wider system of ELC and reduce the risk of unanticipated consequences for these providers.

More broadly, the Scottish Government should:

- Ensure that future major policy changes are backed up by options appraisal, supported by economic modelling

D.2 THE WEST LoTHIAN POSITION

In relation to recommendations, the position in West Lothian is as follows.

West Lothian Council has established strong relationships with the Department of Work and Pensions (DWP) locally in order to promote and facilitate allocation of places to eligible two year olds, including through validation of applications by the DWP. Currently information sharing is subject to legal constraint. Greater sharing of information would be welcomed by West Lothian Council. It would remove a burden of proof of eligibility from the applicant, thus removing a major barrier to

Entry to provision. Increased ability to share information would also impact positively on the ability to pay clothing grant and provide free school meals automatically without the need for claim and verification.

West Lothian Council has consulted with parents bi-annually and through these consultations, and analysis of the annual pattern of applications for early learning and childcare, has gained an understanding of the services required by parents. Full day placements offering early learning and childcare, supplemented by paid wraparound care, on two days of the week between the hours of 8am and 6 pm (a 10 hour period) have been introduced.

In August 2015, 69 children were placed in four pilot establishments. In August 2016, a total of 260 children were placed in nine venues. In August 2017, 513 children were placed in 35 establishments offering full day provision. This represents approximately 12.5% of early learning and childcare places in West Lothian. Full day provision is available at 57% of Council establishments offering early learning and childcare. These figures will rise further in August 2018.

In August 2014, 113 children were provided with wraparound care. In August 2015 a total of 174 children were provided with wraparound care. In August 2016 a total of 254 children were provided with wraparound care. In August 2017, this had risen to 336. From August 2018, wraparound hours will be provided free of charge as one of the steps towards expanding early learning and childcare to 1140 hours.

Information on the options available to parents in relation to early learning and childcare, including the factors considered where provision is oversubscribed or limited due to budgetary constraints, is available on West Lothian Council's website, along with an on-line application form.

West Lothian Council's centralised pupil placement process provides robust data in relation to demand and parental preference which is used to inform staffing, capacity and purchasing decisions. As a result of this use of data West Lothian Council operates the second most efficient early learning and childcare provision in Scotland as measured by the Local Government Benchmarking Framework.

West Lothian Council has an agreed expansion plan, which has been submitted to the Scottish Government. Updates will continue to be reported to the Education Policy Development and Scrutiny Panel and Education Executive as appropriate. Aspects of the expansion remain contingent on the expansion being fully funded by the Scottish Government, and this is particularly the case in relation to enhanced expectations of choice of provider.

In relation to the outcomes of the expansion, West Lothian Council has noted the report commissioned by the Scottish Government on the impact of the expansion to early learning and childcare utilising data from Growing Up in Scotland. Growing Up in Scotland is a large-scale longitudinal research project aimed at tracking the lives of several cohorts of children living in Scotland from the early years, through childhood and beyond. This report found no evidence to suggest that the expansion is likely to have any notable effects on children's outcomes by the time they enter school, either beneficial or detrimental.

West Lothian Council has previously identified the potential for a negative impact on partner providers resulting from the expansion of early learning and childcare, as they will require provide a greater percentage of the hours provided to each parent at the rate set by each local authority which may be below the market rate they charge for non-funded hours.

E. CONCLUSION

West Lothian Council has undertaken significant investment in the early learning and childcare estate and workforce, and can provide a high quality early learning and childcare place to every child whose parent requests it. Placement in Council establishments maximise continuity at transition to P1, and continuity of delivery of the early stage of the 3-18 curriculum. Council establishments work closely with community planning partners to prove a whole child approach and effective early intervention, thus ensuring the best start for children.

Through its regular surveying of parents, the council has built up a good picture of their needs and preferences, and has expanded full day provision and wraparound care significantly as a result. The council has plans to continue this expansion.

West Lothian Council has pupil placement robust data on demand and parental preference which is used to inform staffing, capacity and purchasing decisions, resulting in an efficient provision, as measured by the Local Government Benchmarking Framework.

F. BACKGROUND REFERENCES

Audit Scotland Report – Early Learning and Childcare (Feb 2018)

<http://audit-scotland.gov.uk/report/early-learning-and-childcare>

Early Learning and Childcare at age five: Comparing two cohorts.

<https://beta.gov.scot/publications/changes-early-learning-childcare-use-outcomes-age-5-comparing-two/pages/2/>

Appendices/Attachments: None

Contact Person: Andrew Sneddon, Service Manager – Learning, Policy and Performance

James Cameron, Head of Learning, Policy and Resources

Date of meeting: 19 March 2018



AUDIT COMMITTEE

EXTERNAL AUDIT PLAN 2017/18

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of the external auditor's 2017/18 annual audit plan.

B. RECOMMENDATION

It is recommended that the Audit Committee notes the external auditor's 2017/18 annual audit plan.

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 external auditor's responsibilities are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice.
III Implications for Scheme of Delegations to Officers	None.
IV Impact on performance and performance Indicators	None.
V Relevance to Single Outcome Agreement	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
VI Resources - (Financial, Staffing and Property)	None.
VII Consideration at PDSP	None.
VIII Other consultations	Head of Finance and Property Services

D. TERMS OF REPORT

In May 2016, the Accounts Commission appointed EY as the council's external auditor for the five year period to 2020/21. EY's annual plan, which is appended, sets out the work they propose to undertake in relation to the financial year ending 31 March 2018.

Section one of the plan sets out the audit context. It identifies a number of risk areas currently impacting the public sector in Scotland, including EU withdrawal, the ending of the public sector pay cap, more challenging expectations for openness and transparency in public business, Scotland's new financial powers, and cyber security.

Section two of the plan sets out the audit approach and sets out the auditor's responsibilities in relation to their audit of the council's financial statements. This section also sets out risks that EY have identified for their audit.

Section three of the plan sets out the four dimensions of public sector audit which comprise the wider scope audit work i.e. financial sustainability, financial management, governance and transparency, and value for money. The wider scope audit work, and the judgements and conclusions reached in these areas, contribute to the overall assessment and assurance on Best Value. This section includes risks identified by the auditor through the planning process that relate to the wider scope dimensions.

Section four of the plan summarises other work to be undertaken, timing and deliverables, and the audit fee.

E. CONCLUSION

EY's annual audit plan sets out their approach to their 2017/18 audit.

F. BACKGROUND REFERENCES

Report to Audit and Governance Committee 19 December 2016: External Audit Framework

Appendices/Attachments: EY Annual Audit Plan 2017/18

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

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 19 March 2018

West Lothian Council

Annual Audit Plan Year ending 31 March 2018

Audit Committee – 19 March 2018

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About this report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 31 May 2016 through which the Accounts Commission has appointed us as external auditor of West Lothian Council (the Council) for financial years 2016/17 to 2020/21. We undertake our audit in accordance with the Local Government (Scotland) Act 1973 and our responsibilities as set out within Audit Scotland's Code of Audit Practice (the Code), issued on 26 May 2016.

This report is for the benefit of the Council and is made available to the Accounts Commission, the Controller of Audit and Audit Scotland (together the Recipients). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

Complaints

If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Diane McGiffen, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Purpose of this report

In accordance with the Local Government (Scotland) Act 1973, the Accounts Commission appointed EY as the external auditor of West Lothian Council (the Council) for the five year period 2016/17 to 2020/21.

This Annual Audit Plan, prepared for the benefit of Council management and the Audit Committee, sets out our proposed audit approach for the audit of the financial year ending 31 March 2018, the second year of our appointment. In preparing this plan, we have updated our understanding of the Council through planning discussions with management, review of relevant documentation and committee reports, and our general understanding of the environment in which the Council is currently operating.

After consideration by the Council, the plan is provided to Audit Scotland and published on their website.

Scope and responsibilities

We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; International Standards on Auditing (ISA (UK)); relevant legislation; and other guidance issued by Audit Scotland. The Code sets out the responsibilities of both the Council and the auditor, more details of which are provided in Appendix A.

Financial statement audit

We are responsible for conducting an audit of the financial statements of the Council. We will provide an opinion on the financial statements as to:

- Ø whether they give a true and fair view of the financial position of the Council and its group as at 31 March 2018 and its expenditure and income for the year then ended; and
- Ø whether they have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom.

We also review and report on the consistency of the other information prepared and published by the Council along with its financial statements.

Wider scope audit

Our responsibilities extend beyond the audit of the financial statements. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider-scope public audit. Our audit work over the wider scope audit dimensions compliments our financial statements audit.

Materiality

Planning materiality £13 million	Materiality has been set at £13 million, which represents 1.9% of the prior years gross expenditure on provision of services. It excludes the 'gross-up' of IJB income and expenditure.
Tolerable Error £6.5 million	Tolerable error has been set at £6.5 million, which represents 50% of materiality. We set at this level due to audit adjustments arising in the prior year financial statements.
Summary of uncorrected differences £0.25 million	<p>We will report all uncorrected misstatements relating to the primary financial statements greater than £0.25 million.</p> <p>Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.</p>

Key contacts

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Independence

We confirm that we have undertaken client and engagement continuance procedures, included in which is our assessment of our continuing assessment of our independence to act as your external auditor.

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report, providing an overview of our initial risk assessment and any change in risk profile in the year.

Financial statements audit

Risk / area of focus	Risk identified	Change from PY	Details
Risk of fraud in revenue and expenditure recognition	Fraud risk / Significant risk	No change	International Standard on Auditing (UK) 240 sets out that auditors should respond to a presumed fraud risk in respect of improper income recognition. We also extend our work to consider the recognition of expenditure, in accordance with Practice Note 10, issued by the Financial Reporting Council, as applicable to public sector audit.
Misstatements due to fraud or error	Fraud risk	No change	As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud due to the ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. We respond to this risk on every audit engagement.
Valuation of property, plant and equipment	Inherent risk	No change	The fair value of property, plant and equipment (PPE) represent significant balances in the Council's financial statements. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
Pension liability valuation	Inherent risk	No change	Accounting for Local Government Pension Scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Wider scope audit

Audit dimension	Risk identified	Change from PY	Details
Financial sustainability	Wider scope focus area	No change	The Council's faces a challenging financial position with significant savings required to be made over the next five years. In response, the Council has recently approved its corporate plan and revenue budget strategy for the five year period 2018/19 to 2022/23. We will consider these in the course of our work for the year.
Financial management	No specific risk focus	No change	We have not identified a specific risk in this area, but will undertake procedures to consider progress against prior year audit and BVAR recommendations and continue to scrutinise financial management arrangements.
Governance & transparency	No specific risk focus	No change	We have not identified a specific risk in this area, but will undertake procedures to consider the leadership and scrutiny of the budget, the Council's internal audit arrangements for the year and the implementation of audit and BVAR recommendations.
Value for Money	No specific risk focus	No change	We have not identified a specific risk in this area, but will review option appraisal analysis undertaken by management to assess whether spend is being aligned with the Council's priorities and outcomes.

1. Audit context

In accordance with the principles of the Code, our audit work considers key developments in the sector. We obtain an understanding of the strategic environment in which the Council operates to inform our audit approach.

Local government environment

The Accounts Commission published their Local government in Scotland: Financial overview 2016/17 report in November 2017. Part 3 of this report focussed on the financial outlook facing councils. The Commission's key message was that the environment remains challenging, with further real-terms reductions in funding and a range of cost and demand pressures on budgets.

In total, councils approved savings of £317 million in setting budgets for 2017/18 along with the use of £105 million of reserves. It was noted that for certain councils, the application of reserves in this way to fund services could lead to them running out of general fund reserves, unless remedial action is taken successfully.

Other key messages were:

- Ø Robust medium-term financial strategies and savings plans are increasingly critical to financial sustainability.
- Ø Strong leadership is increasingly important and it is essential that councillors work effectively with officers, their partners and other stakeholders to identify and deliver necessary savings.
- Ø Engagement with local communities is important when planning and delivering services and identifying savings.

Scrutiny

The Local Scrutiny Plan – April 2017 to March 2018 set out the planned scrutiny activity in West Lothian Council during the financial year 2017/18. The plan was based on a shared risk assessment undertaken by a local area network (LAN), comprising representatives of all the scrutiny bodies who engage with the Council.

The conclusion of the shared risk assessment for 2017/18, was that no significant risks were identified that would require specific scrutiny by members of the LAN in the year. The plan, however, recognised that the Council was subject to the Best value Assurance Report which was published by the Accounts Commission in November 2017.

In its findings the Accounts Commission reported positively on the performance of the Council, acknowledging that its services continue to perform well and delivering positive outcomes for the people of West Lothian. The Commission also endorsed the recommendations set out by the Controller of Audit in the report, expecting the Council to act on these. At a meeting between members of the Commission and officers and members of the Council in January 2018, the Council set out how it intended to respond to those recommendations.

Our findings in respect of the wider scope audit in the prior year, plus the findings of the Controller of Audit and Accounts Commission, form the basis of our risk assessment for 2017/18.

The process to agree the Local Scrutiny Plan for 2018/19 is currently in progress and will be reported to the Council in due course.

Headwinds in the public sector

Within the 2017/18 audit planning guidance, Audit Scotland identified a number of risk areas currently impacting the public sector in Scotland.

EU Withdrawal	Continuing uncertainty exists around the detailed implications for the UK, and Scotland around EU withdrawal. While this continues, it is important for all public sector bodies to remain aware of, and consider the implications for them in areas such as funding, workforce and regulation.
Ending of the public sector pay cap	With the Scottish Government lifting the 1% pay cap, all audited bodies need to consider both the direct, and indirect, consequences on their budgets as a result of likely future pay increases.
Openness and transparency	There are signals of changing and more challenging expectations for openness and transparency in public business. In view of this direction of travel, Audit Scotland noted that 2016/17 annual audit reports highlighted the need for public bodies to keep this area under review and to consider whether there is scope to enhance transparency.
Scotland's new financial powers	The provisions of the 2012 and 2016 Scotland Acts and the accompanying Fiscal Framework agreement are leading to fundamental changes to the Scottish public finances. New tax raising, borrowing and social security powers provide the Scottish Parliament with more policy choice, but also mean the Scottish budget is subject to greater volatility, uncertainty and complexity. There is also a stronger link between the performance of the Scottish economy (relative to the rest of the UK) and available funding.
Response to cyber security risks	Audit Scotland has indicated their intention to issue further guidance in relation to this risk, setting out the risk context for public bodies, and the new cyber resilience requirements being introduced by the Scottish Government.

Our audit response:

We will engage with management across the Council to understand their preparation and consideration of these risk areas, and others identified by the Council. In particular we will consider how the Council structures its risk management arrangements to capture and respond to risk identification.

2. Financial statements and accounting

2. Financial statements and accounting



The Council's Annual Accounts enables the Council to demonstrate accountability for, and its performance in the use of its resources. They are prepared in accordance with proper accounting practice, which is represented by the 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom.

Audit opinion

We are responsible for conducting an audit of the financial statements of the Council in accordance with International Standards on Auditing (ISA (UK)).

We will provide an opinion on the financial statements as to:

- Ø whether they give a true and fair view of the financial position of the Council and its group as at 31 March 2018 and its expenditure and income for the year then ended; and
- Ø whether they have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom.

We also review and report on the consistency of the other information prepared and published by the Council along with its financial statements.

Audit approach

We determine which accounts, disclosures and relevant assertions could contain risks of material misstatement. Our audit involves:

- Ø Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Ø Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Ø Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Ø Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Ø Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Ø Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Ø Maintaining auditor independence.
- Ø Substantive tests of detail of transactions and amounts. For 2017/18 we plan to follow a predominantly substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Materiality

For the purposes of determining whether the financial statements are free from material error, in accordance with ISA (UK) 320 we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of materiality requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Gross expenditure on provision of services, excluding the 'gross-up' of income and expenditure for the Integration Joint Board = £694 million

Planning materiality £13 million	Planning materiality (PM) – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements. For planning purposes, materiality for 2017/18 has been set at £13 million. This represents 1.9% of the Council's prior year gross expenditure on provision of services excluding IJB.
Tolerable Error £6.5 million	Tolerable error (TE) – materiality at an individual account balance, which is set so as to reduce to an acceptably low level that the aggregate of uncorrected and undetected misstatements exceeds PM. We have set it at £6.5 million which represents 50% of planning materiality.
Summary of Audit Differences £0.25 million	Summary of Audit Differences (SAD) Nominal amount – the amount below which misstatements whether individually or accumulated with other misstatements, would not have a material effect on the financial statements. The Code requires that auditors report at no more than £0.25 million.

Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition. Factors which we consider include the perspectives and expectations of users of the financial statements as well as our risk assessment as to the likelihood of material misstatements arising in the financial statements.

The amount we consider material at the end of the audit may differ from our initial determination. At the end of the audit we will form, and report to you, our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

2. Financial statements and accounting

We have set out the significant risks (including fraud risks) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Significant risk – risk of fraud in income and expenditure recognition

What is the risk?	Our identified response to the risk
<p>Under ISA 240 there is a presumed risk in all audits that income may be misstated due to improper recognition of income. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>Misstatements that occur in relation to the risk of fraud in income and expenditure recognition have been identified as having the potential to affect the following income and expenditure accounts (balances in the 2016/17 financial statements):</p> <p>Income Account: £659 million</p> <p>Expenditure Account: £754 million</p> <p>We have not identified a significant risk of improper recognition of income in respect of core grant funding from the Scottish Government, as well as in respect of council tax and non-domestic rate income.</p>	<ul style="list-style-type: none"> Ø Review and discuss with management any accounting estimates on income or expenditure recognition for evidence of bias. Ø Substantive testing of income and expenditure transactions during the year at a lower threshold. Ø Testing of income and expenditure cut-off around the year end at a lower threshold. Ø Assess topside adjustments / journal entries for evidence of management bias and evaluate for business rationale

Significant risk – misstatement due to fraud or error

What is the risk?	Our identified response to the risk
<p>The financial statements, as a whole, are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<ul style="list-style-type: none"> Ø Identifying fraud risks during the planning stages. Ø Inquiry of management about risks of fraud and the controls put in place to address those risks. Ø Understanding the oversight given by those charged with governance of management's processes over fraud. Ø Consideration of the effectiveness of management's controls designed to address the risk of fraud. Ø Determining an appropriate strategy to address those identified risks of fraud. Ø Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

- Ø Significant risks identified in the audit relate to the risk of fraud in income and expenditure recognition. We also perform general procedures in all audits to respond to the risk of misstatement due to fraud or error caused by management override of controls.
- Ø We will report our findings in these areas to you within our 2017/18 Annual Audit Report.

2. Financial statements and accounting

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

Other areas of audit focus

What is the risk?	Our identified response to the risk
<p>Valuation of property, plant and equipment</p> <p>The fair value of PPE represent significant balances in the Council's financial statements and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>We raised a recommendation in our prior year annual audit report, which management agreed to, outlining the need for a review and identification of an appropriate process to ensure the valuation cycle takes into account potential material movements in key assets, as well as a means to ensure that where a 1 April valuation is undertaken, that the valuation remains appropriate as at the 31 March balance sheet.</p>	<p>We will:</p> <ul style="list-style-type: none"> Ø Consider the action taken by management to address the prior year recommendation. Ø Review of the annual cycle of valuations to ensure that assets have been valued in accordance with the requirements of the Code, and whether any specific changes to asset use have been communicated to the valuer. Ø Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work. Ø Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre). Ø Review assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated. Ø Consider changes to useful economic lives as a result of the most recent valuation. Ø Test accounting entries have been correctly processed in the financial statements.
<p>Pension liability valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by City of Edinburgh Council. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council.</p> <p>The Council's net pension fund deficit is a material estimated balance. At 31 March 2017 this totalled £290 million. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We will:</p> <ul style="list-style-type: none"> Ø Liaise with the auditor of Lothian Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council. Ø Assess the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team. Ø Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
<p>Ø The valuation of property, plant and equipment and accounting for net pension deficit are assessed as inherent risks. Management involves specialists in the preparation of these accounting valuations and estimates. We utilise our own specialists, as appropriate, to support the core audit team in the performance of audit procedures on these balances.</p>	

2. Financial statements and accounting



We also plan and perform certain general audit procedures on every audit which may not be directly related to financial statement account assertions. Examples of such procedures compliance with applicable laws and regulations, litigation and claims and related parties.

Other audit considerations

Changes to the Accounting Code of Practice in 2017/18

While there are no significant change to the 2017/18 Accounting Code of Practice, we will engage early with management to consider their assessment and incorporation of any changes to the 2017/18 Accounting Code which affects the Council's financial statements.

Data analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular covering journal entries and payroll. These tools:

- Ø Help identify specific exceptions and anomalies to direct more traditional substantive audit tests.
- Ø Give greater likelihood of identifying errors than random sampling techniques.

We have held initial planning discussions with the Group Accountant and Systems Accountant to agree the practicalities of data provision. We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Use of specialists

When auditing key judgements, such as the valuation of property, plant and equipment, or certain assets and liabilities, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Ø Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable.
- Ø Assess the reasonableness of the assumptions and methods used.
- Ø Consider the appropriateness of the timing of when the specialist carried out the work.
- Ø Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

Management may use their own specialists in the preparation of the financial statements.

Internal audit

We will review internal audit plans and the results of their work, including the discussion of audit findings at the Audit Committee and management's response to findings.

We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements or our wider responsibilities.

Other audit considerations – group financial statements

The Council has a number of non-consolidation interests in other entities. For the purposes of consolidation and incorporation within the Group Accounts, the Council recognised in their 16/17 audited accounts that West Lothian Leisure has become a company limited by guarantee and, due to changes in the structure through the company's articles of association, should be accounted for as a subsidiary from 1st of April 2017.

Management have assessed that it exerts significant influence but not control over Lothian Valuation Joint Board, therefore this interest is deemed to be an associate.

The West Lothian Integration Joint Board (IJB) and West Lothian Recycling Ltd. are identified as joint ventures. These entities are consolidated in accordance with the requirements of the Code.

The only significant component by size is the Council, which accounts for 88% of consolidated gross expenditure, with the IJB accounting for 7.6% of this expenditure. There have been no specific risks identified that may indicate a component is significant by risk, as the IJB does not affect the transactions as such, only the nominal funding agreement in and out of the IJB.

We have been appointed as auditor to the West Lothian integration Joint Board and will report separately on our audit of that entity.

We will also discuss with management their updated assessment in respect of other entities where the Council has a relationship, but it has been assessed that consolidation has not been required.

3. Wider scope audit risks

3. Wider Scope Audit Risks



Together the Accounts Commission and the Auditor General for Scotland agreed the four dimensions set out in the Code which comprise the wider scope audit for public sector in Scotland. These are: financial sustainability, financial management, governance and transparency, and value for money.

Wider scope audit

Our wider scope audit work, and the judgements and conclusions reached in these areas, contribute to the overall assessment and assurance on the achievement of Best Value.

The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. Best Value will be assessed over the five year audit appointment, as part of the annual audit work. This includes a Best Value Assurance Report (BVAR) to be considered by the Accounts Commission. West Lothian Council were selected as one of the councils to receive a BVAR in the first year of the new arrangements. The report was considered by the Accounts Commission, and subsequently published, in November 2017. The Commission's findings highlighted that the Council continues to be a well-performing council.

We identified and set out an indicative high-level five year Best Value Plan within our annual audit report for 2016/17 and this is shown in the table below. The annual audit this year will follow up on the Controller of Audit recommendations within the BVAR, as well as the Accounts Commission's findings, by considering how the council have proposed and progressed actions to address the findings and recommendations. We will continue to focus on other aspects of Best Value including performance and outcomes and improvement.

High-level five year Best Value plan					
	2016/17	2017/18	2018/19	2019/20	2020/21
Planned BVAR	X				
Follow up of BVAR		X			
Audit coverage:					
Performance and outcomes		X			
Improvement		X			
Leadership, Governance and Scrutiny			X		
Equal Opportunities			X		
Partnership Working and Empowering Communities				X	
Financial and service planning					X
Financial governance and resource management				X	

Strategic Audit Priorities

In undertaking our work in respect of the wider scope audit dimensions, we have specific regard to the Accounts Commission's strategic audit priorities, which reflect interest in:

- Ø The clarity of council priorities and quality of long-term planning to achieve these.
- Ø How effectively councils are evaluating and implementing options for significant changes in delivering services.
- Ø How councils are ensuring members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future.
- Ø How well councils are involving citizens in decisions about services and empowering local communities to identify and help deliver services they need.
- Ø The quality of councils' reporting of their performance to enhance accountability to citizens and communities.

3. Wider Scope Audit Risks

The Code sets out an expectation that 'significant' risks identified through our planning process that relate to the wider scope dimensions will be communicated with you. These are referred to in our report as 'Wider Scope Audit Focus Areas'.

Audit dimension	Risk assessment	Rationale and response
Financial sustainability considers the medium and longer term outlook to determine if planning is effective to support service delivery. This will focus on the arrangements to develop viable and sustainable financial plans.	Audit Focus Area	<p>We concluded in our Annual Audit Report for 2016/17 that the Council's financial position is generally sound. However, with increased financial pressures, the estimated funding gap between 2018-2023 was identified as £65 million by the time the Council considered and approved its five year revenue budget strategy as part of the budget setting meeting on 13 February 2018.</p> <p>Given the required savings, we have identified this as a wider scope audit focus area. As well as considering progress against prior year audit and BVAR recommendations, our work will focus on the detail of the Council's financial plans and our assessment of the robustness of the budget strategy to respond to the challenges faced.</p>
Financial management considers the effectiveness of financial management arrangements, including whether there is sufficient financial capacity and resources, sound budgetary processes and whether the control environment and internal controls are operating effectively.	No specific additional audit focus	<p>In our prior year audit we noted that the Council had generally sound financial management arrangements with good evidence of delivery and management of projects.</p> <p>We have, therefore, not identified a specific additional risk in respect of the Council's financial management. Our work will consider progress against BVAR and prior year audit recommendations and continued scrutiny of financial management arrangements.</p>
Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.	No specific additional audit focus	<p>We have not identified a specific additional risk in respect of the Council's governance arrangements. In our prior year audit we concluded the Council had comprehensive governance arrangements but noted a number of recommendations to strengthen these. Our work for the year will consider:</p> <ul style="list-style-type: none"> Ø Progress against BVAR and prior year audit recommendations. Ø Internal audit arrangements during 2017/18. Ø Reporting arrangements to committees during the year.
Value for money considers whether value for money can be demonstrated in the use of resources. This includes the extent to which there is an alignment between spend, outputs and outcomes delivered and that there is a clear focus on improvement.	No specific additional audit focus	<p>We have not identified a specific additional risk in respect of the Council's arrangements to deliver value for money. From our 2016/17 audit work, we concluded that the Council's performance management arrangements were satisfactory.</p> <p>Our work for the year will link with that performed in respect of financial sustainability, with more focus on the transformational agenda and the option appraisal analysis undertaken by management to assess whether spend is being aligned with the Council's priorities and outcomes.</p>

4. Other work; timing and deliverables; fees

4. Other audit responsibilities



Under the terms of our appointment, our role and responsibilities include a number of other assurance activities. These include the certification of certain grant claims and the Council's Whole of Government Accounts return, as well as provision of information to support Audit Scotland national reports and studies.

Other audit responsibilities

Following the Public Pound

Local Authorities have a statutory responsibility to comply with the Accounts Commission / COSLA Code of Guidance on Funding External Bodies and Following the Public Pound (the FtPP Code). The principles of the FtPP Code are embedded into the new approach to auditing Best Value. As part of our risk based planning approach we will consider the Council's arrangements to comply with the FtPP Code. We link this work directly to that undertaken to support the conclusions on the Governance and Transparency audit dimension.

Statutory Performance Information

Local authorities have a responsibility, under their Best Value duty, to report performance to the public. One of the Accounts Commission's Strategic Audit priorities is 'the quality of council public performance reporting to help citizens gauge improvement'. Consequently, over the term of our appointment, we will focus on the Council's performance reporting arrangements and integrate this with our wider planning activity.

National Fraud Initiative and fraud returns

All local authorities are required to participate in the 2016/17 National Fraud Initiative (NFI). They submitted data (as per the instructions) in October 2016 and received matches for investigation in January 2017. Audit Scotland expects bodies to investigate all recommended matches plus further matches based on findings and the risk of error or fraud. Match investigation work should be largely completed by 30 September 2017 and the results recorded on the NFI system.

Auditors are expected to monitor their audited bodies' participation and progress during 2016/17 and into 2017/18 and, where appropriate, include references to NFI in their annual audit reports for both years. Auditors must complete an NFI audit questionnaire for each body participating in the NFI by 28 February 2018. We have completed this questionnaire and concluded that the Council had appropriate arrangements in place to respond to the NFI and undertake sufficient investigation of matches identified.

The information provided by auditors will be used for Audit Scotland's NFI report to be published in June 2018.

Audit Scotland – National Study Programme

Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission. Audit Scotland ask us to ensure that local government bodies review the national studies relevant to them, which may also include joint studies under the remit of the Auditor General for Scotland, at a committee level and act on them accordingly.

In 2018, Audit Scotland are conducting their second performance audit of Health and Social Care Integration, due for publication in November this year. The scope of the second audit, as well as following up on previous recommendations and considering governance arrangements, will focus on how integration is changing the way services are planned and designed around the needs of local communities. This includes highlighting any early evidence of impact on the public.

Over the next couple of weeks we will be issuing our data request from auditors to support this audit. We expect to be in contact with Council management, as well as with the West Lothian Integration Joint Board, in the performance of this work.

Other assurance activity

The terms of our appointment requires us to undertake a number of other areas of audit activity. These include certifying authorities Whole of Government Accounts returns as well as certifying any applicable grant claims and returns such as the non-domestic rates return and housing benefits subsidy claim.

4. Timing and deliverables

We deliver our audit in accordance with the timeline set by the Council, in accordance with guidance from Audit Scotland. Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2017/18.

	Audit Activity	Deliverable	Expected Timing
JAN			
FEB			
MAR	<ul style="list-style-type: none"> Onsite fieldwork, documentation and walkthrough of key accounting processes Scoping of Best Value work for the year 	Annual Audit Plan	19 March 2018
APR	<ul style="list-style-type: none"> Review of frauds reported to the audit committee. 	Fraud Return Submission	27 April 2018
MAY	<ul style="list-style-type: none"> Education Maintenance Allowance (EMA) grant claim testing 	Certified EMA return	31 July 2018
JUN	<ul style="list-style-type: none"> Year-end substantive audit fieldwork on unaudited financial statements 	Whole of Government Accounts assurance statement to NAO	28 September 2018
JUL	<ul style="list-style-type: none"> Conclude on results of audit procedures 	Certify Annual Financial Statements	30 September 2018
AUG	<ul style="list-style-type: none"> Issue opinion on the Council's financial statements Performance of Best Value fieldwork 	Issue Annual Audit Report Submit Best Value Data Return to Audit Scotland	1 October 2018
SEP	<ul style="list-style-type: none"> Criminal Justice Social Work (CJSW) return testing 	Certified CJSW claim	30 September 2018
OCT	<ul style="list-style-type: none"> Completion of Non-domestic rates return testing 	Certified Non-Domestic Rates return	6 October 2018
NOV	<ul style="list-style-type: none"> Completion of housing benefits claim testing 	Certified Housing benefit subsidy claim	30 November 2018
DEC			

4. Fees



The audit fee is determined in line with Audit Scotland's fee setting arrangements, set out in recent communications to all audited bodies in line with their publication on 'Our Approach to setting audit fees' (http://www.audit-scotland.gov.uk/uploads/docs/um/audit_fee_approach.pdf).

Audit fees		
Component of fee:	2017/18	2016/17
<i>Auditor remuneration – expected fee</i>	<i>£184,860</i>	<i>£183,030</i>
Total agreed auditor remuneration	£184,860	£195,213
Audit fee in respect of S106 Trust Funds	£4,000	£4,000
Audit Scotland fixed charges:		
Pooled costs	£16,430	£15,940
Performance audit and best value	£101,690	£103,610
Audit support costs	£11,740	£10,930
Total fee	£318,720	£329,693

The expected fee for each body, set by Audit Scotland, assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft financial statements and meets the agreed timetable for the audit. It also assumes there is no major change in respect of the scope of work in the year.

Fees can be agreed between the auditor and audited body by varying the auditor remuneration by up to 10% above the level set, for example, where significant local issues require additional work to be undertaken. In the prior year, additional fees were agreed with management based on the work required over the significant accounting judgements, particularly in respect of valuation of property, plant and equipment.

For the current year, the proposed fee agreed with management based on our current assessment of the risk profile supports setting the fee at the expected fee level. We also undertake the audit of the Council's trust funds and have agreed a fee of £4,000, consistent with that agreed in 2016/17.

Appendices

- A – Code of Audit Practice: responsibilities**
- B – Required communications with the audit committee**
- C – Auditor independence**

The Code of Audit Practice (the Code) summarises the responsibilities on all audited bodies falling within the public sector audit framework. We summarise these on this page.

Responsibilities of audited bodies

Corporate governance	Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.
Financial statements and related reports	<p>Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for:</p> <ul style="list-style-type: none"> • preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation. • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support their financial statements and related reports disclosures. • ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority. • maintaining proper accounting records. • preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body. <p>Management, with the oversight of those charged with governance, should communicate clearly and concisely relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework.</p> <p>Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>
Standards of conduct / prevention and detection of fraud and error	Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.
Financial position	<p>Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> • such financial monitoring and reporting arrangements as may be specified • compliance with any statutory financial requirements and achievement of financial targets • balances and reserves, including strategies about levels and their future use • how they plan to deal with uncertainty in the medium and longer term • the impact of planned future policies and foreseeable developments on their financial position.
Best Value	<p>Local authority bodies have a statutory duty, under the Local Government (Scotland) Act 1973 and associated statutory guidance, to make arrangements to secure best value through the continuous improvement in the performance of their functions.</p> <p>Specified audited bodies also have to prepare and publish performance information in accordance with directions issued by the Accounts Commission.</p>

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard. 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

Relationships, services and related threats and safeguards

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We are not aware of any relationships between Ernst & Young LLP and the Council that may reasonably be thought to bear on our independence as of the date of this letter.

As part of our considerations for any non-audit engagement, we review potential threats in respect of self-interest, self-review, acting as management and advocacy. There are no non-audit services provided to Council at this time.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate any potential threats identified and we therefore confirm that EY is independent and the objectivity and independence of Stephen Reid, your audit engagement partner and the audit engagement team have not been compromised.

Required communication	Our reporting to you
<p>Terms of engagement / Our responsibilities</p> <p>Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.</p> <p>Our responsibilities are as set out in our engagement letter.</p>	<p>Audit Scotland Terms of Appointment letter – audit to be undertaken in accordance with the Code of Audit Practice</p>
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p>	<p>Annual Audit Plan</p>
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	<p>Annual Audit Plan</p> <p>Annual Audit Report</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	<p>Annual Audit Report</p>
<p>Misstatements</p> <ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management 	<p>Annual Audit Report</p>
<p>Fraud</p> <ul style="list-style-type: none"> • Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • A discussion of any other matters related to fraud 	<p>Annual Audit Report</p>
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	<p>Annual Audit Report (to be issued on completion of audit work) or as occurring if material.</p>

Required communication	Reference
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	<p>No such matters have been identified.</p> <p>Annual Audit Report (to be issued on completion of audit work) or as occurring if material.</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Annual Audit Plan</p> <p>Annual Audit Report</p>
<p>Internal controls</p> <p>Significant deficiencies in internal controls identified during the audit</p>	<p>Annual Audit Report (to be issued on completion of audit work) or as occurring if material.</p>
<p>Group audits</p> <ul style="list-style-type: none"> • An overview of the type of work to be performed on the financial information of the components • An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components • Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work • Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted • Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	<p>Annual Audit Plan</p> <p>Annual Audit Report (to be issued on completion of audit work) or as occurring if material.</p>
<p>Representations</p> <p>Written representations we are requesting from management and/or those charged with governance</p>	<p>Annual Audit Report (to be issued on completion of audit work) or as occurring if material.</p>
<p>Material inconsistencies</p> <p>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</p>	<p>Annual Audit Report (to be issued on completion of audit work) or as occurring if material.</p>

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