



West Lothian  
Council

## ***Audit and Governance Committee***

West Lothian Civic Centre  
Howden South Road  
LIVINGSTON  
EH54 6FF

25 November 2014

A meeting of the **Audit and Governance Committee** of West Lothian Council will be held within the **Council Chambers, West Lothian Civic Centre, Livingston** on **Monday 1 December 2014 at 2:00 p.m.**

For Chief Executive

### **BUSINESS**

1. Apologies for Absence
2. Order of Business, including notice of urgent business
3. 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.
4. Confirm Draft Minute of Meeting of the Audit and Governance Committee held on Monday 29 September 2014 (herewith).

### **Public Items for Information**

5. Report by The Accounts Commission on West Lothian Community Planning Partnership - Report by Chief Executive (herewith)
6. Internal Audit of Section Payments - Report by Audit and Risk Manager (herewith)
7. Internal Audit of Administration of Medication within Social Policy Units - Report by Audit and Risk Manager (herewith)
8. Internal Audit of Fire Safety in Social Policy Units - Report by Audit and Risk Manager (herewith)

9. Report to Members and The Controller of Audit on the 2013/14 Audit - Report by Head of Finance and Estates (herewith)
10. Audit Scotland Follow Up Report on Arm's Length Organisations - Report by Head of Finance and Estates (herewith)
11. Internal Audit Progress Report - Report by Audit and Risk Manager (herewith)

### **PRIVATE SESSION**

12. The Clerk considers that the following business is likely to be taken in private (exempt under the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973).

### **Private Items for Information**

13. Investigation Into Training Invoices - Report by Audit and Risk Manager (Exempt Under Paragraphs 1 and 14) (herewith)

-----

NOTE      **For further information please contact James Millar on 01506 281613 or email [james.millar@westlothian.gov.uk](mailto:james.millar@westlothian.gov.uk)**

MINUTE of MEETING of the AUDIT AND GOVERNANCE COMMITTEE of WEST Lothian Council held within Council Chambers, West Lothian Civic Centre, on 29 September 2014.

Present – Councillors Harry Cartmill (Chair), Willie Boyle, Jim Dixon, Carl John and John McGinty

Apologies - Elaine McAtemney

In attendance – Graham Hope (Chief Executive); Donald Forrest (Head of Finance and Estates); Julie Whitelaw (Head of Corporate Services); Kenneth Ribbons (Audit & Risk Manager); Pamela Main (Senior Manager – Management and Support, Social Policy); James Cameron (Head of Schools with Education Support); James Millar (Committee Services Manager); Graham Templeton (Falkirk Council); David McConnell, Inire Evong, Graeme Greenhill and Kirsty Whyte (Audit Scotland).

1. DECLARATIONS OF INTEREST

There were no declarations of interest made.

2. MINUTE

The Audit and Governance Committee approved the minute of its meeting held on 3<sup>rd</sup> June 2014 as a correct record. The minute was thereafter signed by the Chair.

3. AUDIT SCOTLAND REPORT ON SCHOOL EDUCATION

The committee considered and noted the terms of an informative presentation by Audit Scotland (copies of which had been circulated) providing an overview of the audit they had carried to assess how efficiently and effectively councils were using their resources to maximise pupil achievement in schools.

The committee went on to consider a report (copies of which had also been circulated) by the Head of Schools with Education Support explaining that the assessment of attainment had looked at the last decade and had identified how effectively councils had made improvements during this time. The audit had examined how much councils spent on school education and what they spent it on, how effectively councils were driving forward improvements in pupil achievement and how efficiently councils were using their resources to maximise pupil achievement. The audit had focused on primary and secondary school education in Scotland.

A full overview was provided of the key messages in the Account Commission's report; the recommendations contained in the report; West Lothian's position in relation to the key messages in the report; and a summary of current actions relevant to the recommendations in the report.

The report concluded that the council had a very good record in the

efficient use of resources and improving attainment and positive destinations for young people. The corporate plan and education service management plan prioritised improved educational outcomes. The Raising Attainment Strategy committed the council to reduce the attainment gap in performance between and within schools. Improved governance and scrutiny arrangements were in place so that elected members were more effective in their role of holding education services and schools accountable for securing improvements in performance.

In response to questions from members of the committee, information was provided about the stage at which investment in attainment was most effective; the impact of class sizes on attainment; and the effect of a well-maintained school estate.

#### Decision

1. To note the terms of the presentation.
2. To agree that the report recommendations and the elected members' self-assessment checklist supplementary to the report be considered by the Education Policy Development and Scrutiny Panel.

#### 4. AUDIT SCOTLAND REPORT ON SELF-DIRECTED SUPPORT

The committee considered a report (copies of which had been circulated) by the Head of Social Policy providing a summary of the Self-directed Support Report published by Audit Scotland in June 2014

Self-directed Support (SDS) was a term used to describe ways in which individuals and families could have informed choice about the way support was provided to them. The aim was to achieve better quality care and support and an improvement in the outcomes people achieved by giving them greater choice and control over how their support needs were met and by whom.

SDS would impact on the local delivery of social care services as our provision of care and support would need to adapt to the greater range of choices that people would now have the opportunity to make.

Audit Scotland had examined what progress councils and the Scottish Government had made in implementing SDS and had looked at how well councils had planned to deliver the SDS strategy and legislation. The report explained that Audit Scotland had chosen to report on progress at this relatively early stage in order to highlight examples of good practice, identify significant financial and organisational risks and make recommendations that would help future implementation of the ten year strategy. They noted that their report was also relevant to councils and NHS Boards as they established new partnership arrangements for health and social care.

The report summarise the key recommendations for councils arising from the audit and a list of key recommendations for councils to implement.

The report included an SDS self-assessment checklist for council officers. Preliminary examination had indicated that West Lothian is making progress in implementing SDS and had effectively identified the areas to be addressed as part of Phase 2 planning as it moved into year 5 of its 10 year strategy. A detailed report would be presented to the Social Policy PDSP in November 2014.

In response to a question from a member of the committee, information was provided on the process used to identify, assess and monitor risks in relation to SDS.

#### Decision

1. To note the terms of the report and the key messages and recommendations contained in the Audit Scotland report; and
2. To agree that officers should prepare a report on the self-assessment checklists to be presented to the Social Policy Policy Development and Scrutiny Panel in November 2014 to enable full considered as part of the planning for Phase 2 of Self-Directed Support (SDS) implementation.

#### 5. AUDIT SCOTLAND REPORT: THE NATIONAL FRAUD INITIATIVE IN SCOTLAND

The committee considered a report (copies of which had been circulated) by the Head of Finance and Estates summarising the outcomes arising from Audit Scotland's report on the 2012/13 National Fraud Initiative (NFI) data matching exercise.

The NFI in Scotland was administered by Audit Scotland and worked by using data matching to compare a range of information held on bodies' systems to identify potential inconsistencies or circumstances that could indicate fraud or error which were then investigated and recorded on a secure web application based on their investigations. Examples of data matches were set out in the Audit Scotland report.

The report identified that outcomes valued at £16 million had been recorded in Scotland through NFI. The report acknowledged that some was represented by overpayments that would never be recovered and estimated values that had been attached, for example to cancelling a blue badge. Although these amounts did not translate to cash savings they still represented valuable outcomes. The report emphasised the value of the deterrent effect that the planned biennial NFI data matching had on potential fraudsters and its significance was a key benefit to the Scottish public and taxpayers.

The committee recalled the revised counter fraud arrangements that had been introduced on a temporary basis for 2014/15. The Audit Scotland report noted that the introduction of the Single Fraud Investigation Service (SFIS) would have major implications for the resourcing of non housing benefits counter-fraud work. It stated councils should review their counter-

fraud resources in light of the change and recommended that councils take steps to retain or invest in sufficient capability to investigate corporate fraud, including relevant NFI matches, after SFIS was introduced. Consideration was being given to ensuring that effective counter fraud arrangements were in place within the council after the SFIS transfer, and a further report would be submitted to the Audit and Governance Committee in due course.

Finally, the Audit Scotland report had contained a self-appraisal checklist for those charged with governance and a completed checklist was provided as an appendix to the report.

#### Decision

To note the terms of the report.

### 6. SCOTLAND'S PUBLIC FINANCES – A FOLLOW UP AUDIT: PROGRESS IN MEETING THE CHALLENGES

The committee considered a report (copies of which had been circulated) by the Head of Finance and Estates providing a summary of the report; *Scotland's Public Finances – A follow up audit: Progress in meeting the challenges*, published by the Accounts Commission on 5 June 2014. The report was a follow up to 'Scotland's public finances - Addressing the challenges' which was published in August 2011

The report was aimed at public bodies and raised a range of important issues for those involved in scrutinising public finances. Officers had reviewed the report and given careful consideration to key messages set out therein. The report raised a number of important issues in relation to financial strategy and budget setting, including providing a checklist for elected members to use when undertaking their important role in budget setting and overseeing financial plans and financial performance.

Officers had provided responses to the key points in the checklist demonstrating the council's approach to financial planning. These responses were intended to assist elected members in undertaking their scrutiny role and were provided in Appendix 1 for information and future reference.

The report concluded that it would be important for the council to consider the points within the report to ensure that it continued to be well placed to meet the challenges financial ahead.

#### Decision

1. To note the key messages and recommendations included in Scotland's Public Finances report.
2. To note the Audit Scotland checklist intended to support elected members scrutiny of public finances.
3. To consider the checklist and officer response in Appendix 1, which

were available for elected members to access when undertaking their important role in budget setting and overseeing financial plans and financial performance.

7. CODE OF CORPORATE GOVERNANCE – ANNUAL REPORT

The committee considered a report (copies of which had been circulated) by the Chief Legal Officer inviting consideration of the annual report on the council's Code of Corporate Governance which had been referred by the Council Executive for consideration.

The annual report considered by the Council Executive on 10<sup>th</sup> June 2014 was provided as an appendix to the report. The Council Executive had agreed the recommendations in the annual report.

Decision

To note the contents of the annual report on the council's Code of Corporate Governance for 2013/14.

8. ANNUAL GOVERNANCE STATEMENT

The committee considered a report (copies of which had been circulated) by the Head of Finance and Estates detailing the contents of the Annual Governance Statement to be included in the audited statement of accounts for the year to 31 March 2014. The annual statement was attached as an appendix.

The report explained the reason for the annual statement being prepared and signed for inclusion in the audited accounts and summarised the contents of the statement.

The report concluded by advising that governance arrangements were operating satisfactorily in the council.

Decision

1. To note the contents of the Annual Governance Statement to be included in the audited statement of accounts for the year to 31 March 2014.
2. To note that governance arrangements were operating satisfactorily within the council.

9. AUDIT SCOTLAND 2013/14 AUDIT: MATTERS TO BE REPORTED TO THOSE CHARGED WITH GOVERNANCE

The committee considered a report (copies of which had been circulated) by the Audit and Risk Manager advising of Audit Scotland's report on matters relating to their audit of the 2013/14 financial statements. The report by Audit Scotland had been provided as an appendix.

The report explained that International Standard on Auditing 260 (ISA 260) required auditors to communicate matters relating to the audit of the financial statements to those charged with governance of a body in time to enable appropriate action to be considered.

The report summarised the content of Audit Scotland's report and that the auditor anticipated being able to issue an unqualified audit report.

In response to a question from a member of the committee, it was explained that the notes in the accounts in relation to a trading deficit for the council's only Significant Trading Operation arose simply as a result of an accounting exercise to revalue the property portfolio.

#### Decision

1. To note Audit Scotland's report on matters relating to their audit of the council's 2013/14 financial statement.
2. To note that the auditor anticipated being able to issue an unqualified audit report.

### 10. AUDIT SCOTLAND 2013/14 REVIEW OF INTERNAL AUDIT CONTROLS

The committee considered a report (copies of which had been circulated) by the Audit and Risk Manager detailing the outcome of Audit Scotland's review of internal controls.

The report advised that as part of their 2013/14 audit work, Audit Scotland had conducted a review of the internal controls within the council's main financial systems. The purpose of the review was to evaluate whether the internal controls operating within the main financial systems were adequate so as to enable Audit Scotland to place reliance on them when forming an opinion on the 2013/14 financial statements.

A letter from Audit Scotland's on their findings was provided as an appendix which summarised their testing and their reliance on prior year audit work. It also set out their reliance on internal audit work and for the 2013/14 audit, they had placed reliance on the team's work on accounts payable and council tax billing and collection.

An action plan, which had also been provided as an appendix to the report, set out the issues and risks identified by the audit work and the planned management action.

Audit Scotland had concluded that overall, the key controls within the council's financial systems were operating satisfactorily. Based on their audit work, they had not identified any areas exposed to significant risk.

In response to questions from members of the committee, it was confirmed that implementation of the actions identified was up-to-date.

#### Decision



To note the review findings and the management action to be taken.

11. AUDIT SCOTLAND REVIEW OF BUSINESS CONTINUITY MANAGEMENT

The committee considered a report (copies of which had been circulated) by the Audit and Risk Manager advising of the outcome of Audit Scotland's review of the council's business continuity management arrangements.

The committee noted that as part of their 2013/14, Audit Scotland had conducted a review to evaluate whether business continuity management arrangements were adequate. They also examined how the council had handles disruption to the power supply at the Civic Centre in February 2014.

A letter from Audit Scotland which had been provided as an appendix to the report confirmed there were no recommendations arising from their review and therefore no action plan was required. They also concluded that overall, the process of developing and maintaining the council's business continuity plan was operating satisfactorily.

In response to questions from a member of the committee, it was explained that the work required to be carried out in replacing the Civic Centre UPS was expected to be completed for the end of October.

Decision

To note the findings of the Audit Scotland Review.

12. FALKIRK COUNCIL INTERNAL AUDIT – REVIEW OF CORPORATE E-MAIL AND INTERNET SECURITY

The committee considered a report (copies of which had been circulated) by the Audit and Risk Manager advising of the outcome Falkirk Council's internal audit of the corporate e-mail and internet security arrangements.

As part of the joint working arrangements with Falkirk Council, the Audit and Risk Manager had agreed that Falkirk council's internal audit team would review the council's corporate e-mail and internet security arrangements. The resultant report was provided as an appendix and contained an action plan with recommendations for improvement.

Falkirk Council had concluded that substantial assurance could be provided on the adequacy of corporate e-mail and internet security arrangements. An appendix to the Falkirk report had provided the committee with definitions of the audit assurance categories.

Decision

To note the findings of the audit conducted by Falkirk Council.

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

The committee considered a report (copies of which had been circulated) by the Audit and Risk Manager on the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) annual report for 2013/14.

The report explained the purposes of the group and highlighted significant activities from the annual report.

Decision

To note the Scottish Local Authorities Chief Internal Auditors Group annual report for 2013/14.



## **AUDIT AND GOVERNANCE COMMITTEE**

### **REPORT BY THE ACCOUNTS COMMISSION ON WEST LOTHIAN COMMUNITY PLANNING PARTNERSHIP**

#### **REPORT BY CHIEF EXECUTIVE**

#### **A. PURPOSE OF REPORT**

To update members of the Audit and Governance Committee on the findings of the recent Accounts Commission audit report on West Lothian Community Planning Partnership, and plans for responding to recommendations.

#### **B. RECOMMENDATION**

It is recommended that Committee:-

1. Notes the findings of the Accounts Commission's report.
2. Notes the recommendations made by the Accounts Commission.
3. Notes the Community Planning Partnership's plans for responding to the findings and recommendations and further developing the partnership.

#### **C. SUMMARY OF IMPLICATIONS**

<b>I Council Values</b>	Focusing on our customers' needs; being honest, open and accountable; providing equality of opportunities;; making best use of our resources; working in partnership
<b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	The Accounts Commission report was presented to West Lothian Council on 25 November 2014 in accordance with the provisions of the Local Government (Scotland) Act 1973.
<b>III Implications for Scheme of Delegations to Officers</b>	None
<b>IV Impact on performance and performance Indicators</b>	None
<b>V Relevance to Single Outcome Agreement</b>	This report outlines the Community Planning Partnership's ability to deliver the Single Outcome Agreement.
<b>VI Resources - (Financial,</b>	This report outlines the effectiveness of West

<b>Staffing and Property)</b>	Lothian Community Planning partnership in achieving outcomes within resources.
<b>VII Consideration at PDSP</b>	Not applicable
<b>VIII Other consultations</b>	The Community Planning Partnership have been consulted and engaged throughout the audit process.

#### **D. TERMS OF REPORT**

The Accounts Commission published their audit report on West Lothian Community Planning Partnership on 23 October 2014.

The report contains several key findings which are listed in Appendix 1.

The report also contains several recommendations that the Community Planning Partnership should consider. These are listed in Appendix 2.

The Community Planning Partnership Board met on 17 November 2014 and agreed the following –

- Arrangement of a special meeting of the Community Planning Partnership Board in January or February 2015 to discuss in detail the findings and recommendations of the report and to incorporate any arising actions into the partnership's existing self-assessed development plan.
- To invite representatives from the Accounts Commission to the next CPP Board meeting on 9 March 2015.
- Arrangement of a Celebrating Community Planning event in spring or early summer to highlight areas of particular strength and to learn from invited speakers and other CPPs who are examples of good practice in areas we can improve in. The event will be open to a wide range of partners.

#### **E. CONCLUSION**

The Accounts Commission have found West Lothian Community Planning Partnership to be a strong, mature partnership which is making good progress in delivering outcomes for West Lothian. The Partnership is recognised as being particularly strong in terms of its approach to co-locating services and is supported effectively by a dedicated staff resource. The Accounts Commission recognise that West Lothian Community Planning Partnership have some areas for improvement which include, strengthening its focus on scrutiny of contribution of individual partners; making best use of performance information and reporting locally and ensuring partners are progressing towards better and clearer alignment of their priorities.

There are plans in place for taking forward Community Planning development and continuous improvement.

#### **F. BACKGROUND REFERENCES**

West Lothian Community Planning Audit report by the Accounts Commission, October 2014. [http://www.audit-scotland.gov.uk/docs/central/2014/nr\\_141023\\_west\\_lothian\\_cpp.pdf](http://www.audit-scotland.gov.uk/docs/central/2014/nr_141023_west_lothian_cpp.pdf)

Appendices/Attachments: Appendix 1, Summary of findings; Appendix 2, Summary of recommendations.

Contact Person: Lorraine Gillies, Community Planning Partnership Development Manager, 01506 281690

Graham Hope  
Chief Executive

01 December 2014



## Appendix 1. Summary of findings.

### Findings of the Accounts Commission

1. The Commission notes the report by the Controller of Audit and the Auditor General for Scotland on community planning in West Lothian.

2. The Commission recognises that West Lothian Community Planning Partnership (CPP) is a mature partnership which reflects the long history of good collaborative working in West Lothian. Good progress in improving outcomes for the communities of West Lothian demonstrates the effectiveness of the partnership.

3. We are pleased to note that a culture of partnership working is prevalent across a wide range of partners. Good self-awareness means that the partnership has a clear understanding of — and is able to set out clearly - how it can improve further. In particular, it is encouraging that elected members of West Lothian Council have become actively engaged in the partnership.

4. Features of the approach in West Lothian that deserve to be commended include the investment made in co-locating services and the dedicated staff resource to help support the partnership.

5. We note that the partnership has decided to base its single outcome agreement on a broad range of outcomes rather than on a small number of priorities. In a time of reducing resources, the role and work of the partnership's Resource Aligning Group will be vital in developing the partnership's approach to joint resourcing of its work. Equally as important will be better alignment between the strategic agenda in the single outcome agreement and local partnership working. A next step will be the partnership being able to show how its locality planning is delivering the improved outcomes achieved at strategic partnership level.

6. In order to improve the effectiveness of the CPP the Board needs to:

(i) in its leadership role, be more effective in scrutiny of performance and in challenging the contribution of individual partners.

(ii) make more effective use of its good performance information through better reporting to its citizens in order to achieve an improved awareness of the work and achievements of the partnership.

7. If the partnership is to achieve its full potential it will be essential for each partner organisation to ensure a clearer and closer alignment between its priorities and those of the CPP.





The report makes several specific recommendations. The following summarises the main issues the CPP should address.

**The CPP should:**

- ensure the board gives stronger leadership and strategic direction, in particular in relation to how the CPP targets its available resources and challenges partners over their progress in contributing to delivering the SOA. The board should also give stronger oversight to public sector reform and identify any opportunities and risks to delivering the SOA as part of this
- ensure the CPP Board understands the risks for delivering the SOA, including how to take forward its commitment to reduce inequalities. As part of this it should set a clear direction for how prevention, locality planning, and community participation will contribute to the SOA
- ensure all partners are clear on how they are accountable for their contribution to the SOA
- realise further opportunities to combine resources to meet local needs through the work of the RAG, and through integrating locality work more closely with the SOA
- build on its good information-sharing to share data more widely across sectors including health
- improve how it reports publicly on progress in achieving the outcomes agreed in the SOA.





## **AUDIT AND GOVERNANCE COMMITTEE**

### **INTERNAL AUDIT OF SECTION PAYMENTS**

#### **REPORT BY AUDIT AND RISK MANAGER**

##### **A. PURPOSE OF REPORT**

To inform the Audit and Governance Committee of the outcome of an internal audit of section payments made by Social Policy.

##### **B. RECOMMENDATION**

That the Audit and Governance Committee notes that control is considered to be unsound.

##### **C. SUMMARY OF IMPLICATIONS**

- |   |  |
|---|--|
| <b>I Council Values</b>   | Being honest, open and accountable.<br>Making best use of our resources.                                       |
| <b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b> | Section payments are made under the Children (Scotland) Act 1995.  |
| <b>III Implications for Scheme of Delegations to Officers</b>   | None.  |
| <b>IV Impact on performance and performance Indicators</b>  | None.  |
| <b>V Relevance to Single Outcome Agreement</b>  | Our public services are high quality, continually improving, efficient and responsive to local people's needs. |
| <b>VI Resources - (Financial, Staffing and Property)</b>  | None.  |
| <b>VII Consideration at PDSP</b>  | None.  |
| <b>VIII Other consultations</b>   | Officers within Social Policy and Finance and Estates as part of the audit process.                            |

##### **D. TERMS OF REPORT**

In accordance with the annual internal audit plan for 2014/15, we have undertaken an audit of section payments made by Social Policy.

As stated in the audit report, section payments are made under the Children (Scotland) Act 1995. There are four types of payments that are made under the Act,

dependent on whether the child is looked after or not. Payments are initiated by the social workers in the Children & Families Team and processed by the administrative teams at each of the social work centres.

The action plan appended to the internal audit report sets out the audit findings and the agreed action. A separate memorandum has been issued to the Head of Finance and Estates in relation to the implications for that service and a further action plan is appended to that document.

#### **E. CONCLUSION**

We have concluded that control over the administration of section payments is unsound.

#### **F. BACKGROUND REFERENCES**

Report to Audit and Governance Committee 11 February 2014: Internal Audit Plan 2014/15.

Appendices/Attachments: (1) Internal audit report on section payments dated 29 October 2014 (2) Memorandum to Head of Finance and Estates dated 18 November 2014

Contact Person: Kenneth Ribbons, Audit and Risk Manager  
[kenneth.ribbons@westlothian.gov.uk](mailto:kenneth.ribbons@westlothian.gov.uk) Tel No. 01506 281573

**Kenneth Ribbons**  
**Audit and Risk Manager**  
Date: 1 December 2014



West Lothian  
Council

Finance & Estates  
Audit and Risk Management Unit

SP1401

# INTERNAL AUDIT REPORT

## SOCIAL POLICY

### SECTION PAYMENTS

29 October 2014



[westlothian.gov.uk](http://westlothian.gov.uk)



West Lothian  
Council

# CONTENTS

No.	Section	Page
1.	Executive Summary	1
2.	Remit	3
3.	Action Plan	4
	<u>Appendix A</u> – Definitions of Audit Findings & Audit Opinion	13

## 1.0 EXECUTIVE SUMMARY

- 1.1 In accordance with the annual audit plan for 2014/15, we have undertaken a review of section payments within Social Policy and conclude that the level of control is **unsound**.
- 1.2 The audit remit is set out in section two.
- 1.3 Section payments are made under the Children (Scotland) Act 1995. There are four types of payments that are made under the Act (see 1.5 below) and the type of payment is dependent on whether the child is looked after or not. Payments are initiated by the social workers in the Children & Families team and processed by the Admin teams at each of the social work centres.
- 1.4 Under the provisions of the Children (Scotland) Act 1995, 'Looked After Children' are defined as those in the care of their local authority and this may be at home or away from home.
- 1.5 The following section payments fall under the Children (Scotland) Act 1995:
- Section 17 for looked after children;
  - Section 22 for children that are not looked after and under 18 years old;
  - Section 29 aftercare for a previously looked after child;
  - Section 30 maintenance while in further education for a previously looked after child.
- 1.6 Section payments are made either by cash or by cheque, upon the approval of the relevant section payments paperwork by officers in Social Policy. These payments are made for expenditure such as contributions towards household bills, travel costs for contact with relatives, leisure activities and a range of other items and activities. Furthermore, social workers can also request cash for a client accounts. The client cash account is a set of funds set aside for the client and payments are made as required.
- 1.7 Section payments are made by Bathgate Social Work Centre, Livingston Social Work Centre, Broxburn Social Work Centre and the Throughcare/Aftercare Team based at Strathbrock Partnership Centre. Each of the social work centres operates individual bank accounts to assist with the administration of Section Payments.
- 1.8 The following table details 2013/14 budget and actual figures:

Section Payment	Actual £	Budget £	Variance £
SECTION 22 CHILD ACT 95	284,200	280,887	-3,313
SECTION 17 (A) CHILD ACT 95	183,100	224,557	41,457
SECTION 17 (B) CHILD ACT 95	4,000	13,831	9,831
SECTION 17 (C) CHILD ACT 95	50,000	69,551	19,551
SECTION 29 CHILD ACT 95	151,000	171,597	20,597
SECTION 30 CHILD ACT 95	8,000	6,566	-1,434
TOTAL	680,300	766,989	86,689

1.9 The following findings ranked as 'High' importance were found:

- There is no policy or procedures in place for section 17, 29 and 30 payments. Therefore it is not always possible to confirm if payments have been made in compliance to the Act (finding 3.1).
- As a result of audit testing of section payments carried out at each of the three social work centres, it was noted that there were instances where there was no supporting backup, or inadequate backup. There was one instance where there were payments for bedroom furniture for two children at £639.98 per child but there was no invoice or breakdown of the makeup of the figure (finding 3.2).
- Kinship carer payments are currently being paid at the rate of £40 per week per child. However it is not clear if these payments are allowable under section 17 of the Act and there is no separate policy or procedure for kinship care payments (finding 3.3).
- Authorisation levels are clearly set out for each social worker, team manager and the group manager. However it was identified that these are not being strictly adhered to (finding 3.4).
- The three social work centres currently use a personal finance management software application (MS Money) which was discontinued in 2009 and software support for it stopped in 2011 (finding 3.5).
- MS Money is installed on the on the c drive of a desktop pc at two of the social work centres and staff share network passwords in order to access the software. This contravenes council policy (finding 3.6).
- Social work centre bank accounts hold significant amounts of funds which are funds drawn from the council and recorded as expenditure against section payments, in addition it was noted that these funds are not included as assets in the council's annual accounts (finding 3.8).
- The social work centre bank accounts are not independently reconciled and checked (finding 3.9).

1.10 The action plan in section three details our findings, grades their importance (Appendix A) and includes agreed actions. The implementation of agreed actions will help improve control.

1.11 We appreciate the assistance of Social Policy staff during the conduct of our audit.

**Kenneth Ribbons**  
**Audit and Risk Manager**



## **2.0 REMIT**

- 2.1 The audit objectives were to determine whether controls are in place which ensure that section payments under the Children (Scotland) Act 1995 are accurate, correct and in accordance with legislation and council policy.
- 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 Bill Smith, Senior Admin Officer, Jane Kellock, Senior Manager and Tim Ward, Senior Manager on 22 August 2014.
- 2.4 The Head of Social Policy 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 and Risk 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 'high' importance in Covalent as risk actions and to link these to the corresponding risks.
- 2.7 Audit findings ranked as being of 'high' importance that are not implemented will be reported to the Governance and Risk Board and Audit and Governance Committee and considered for inclusion in the Annual Governance Statement.

### 3.0 ACTION PLAN

Ref	Findings & Risk	Agreed Action	Importance Level
3.1	<p><b><u>Policy and Procedures for Section Payments</u></b></p> <p>The only procedural guidance provided during the audit related to section 22 payments; there is no similar documentation in place covering Sections 17, 29 or 30. A document headed 'section payments', which contains authorisation levels, was also provided. However, it is not clear when these documents were prepared or were last reviewed.</p> <p>The absence of an approved policy and procedures results in uncertainty as to whether payments are being made in accordance with the 1995 Act and there is potential for a lack of consistency over payments made by different social work centres and staff, in terms of both the types and values of payments made.</p> <p><b><u>Risk</u></b></p> <p>Payments being made that may not be allowable under the Children (Scotland) Act 1995.</p> <p>Payments not consistently applied across the council.</p>	<p><u>Section 17 (Tim Ward) - Sections 29 and 30 (Jane Kellock)</u></p> <p>It was agreed that an over-arching set of procedures would be drawn up, incorporating Sections 17, 22, 29, and 30 of the 95 Act.</p> <p>The procedures would be designed to clarify the decision making process, and also bring the existing payment approval levels in line with current service requirements.</p> <p>The 95 Act is designed not to be prescriptive, and allows for discretionary payments to be made in appropriate circumstances.</p> <p>Once revised draft procedures have been drawn up, they will be presented to the Social Policy Procedures and Records Group for approval.</p>	High
			<b>Responsible Officer</b>
			Tim Ward / Jane Kellock
			<b>Risk Identifier</b>
			SP013
			<b>Action Date</b>
			31/10/14

Ref	Findings & Risk	Agreed Action	Importance Level
3.2	<p><b>Supporting Backup Documentation for Payments</b></p> <p>A sample of 30 section payments (sections 22 and 17) was examined at each of the three social work centres located in Broxburn, Livingston and Bathgate.</p> <p>From the testing undertaken, it was found that the section payment request form was not always supported by backup documentation, and in some instances the section payment form itself was not available for inspection:</p> <ul style="list-style-type: none"> <li>Two payments of £639.98 each were made for two looked after children. While authorisation was in place for the expenditure (for bedroom furniture) there was no supporting documentation such as details of the proposed expenditure, receipts or invoices etc.</li> <li>Payments were made for interpreter costs but there were no invoices to support these.</li> <li>Kinship care costs were paid but dates of the period covered by payments were not always detailed, therefore it was difficult to ensure there was no overlap in dates and no duplication of payments being made.</li> <li>Section payment forms were not available in two instances where payments had been made for £321.16 and £180.89.</li> <li>In one instance a social worker paid for essential items for a client by using his/her own debit card and subsequently reclaimed the cost via a section payment. The payment of £31.35 was not declared on the section form but noted from the attached receipt.</li> </ul> <p>It is acknowledged that in instances where there are funds being transferred to client cash, no backup can be provided. However for all other payments each section form should be accompanied by some form of backup to support the request for payment.</p> <p>As noted in 3.1 when procedures are prepared these could cover the requirements in terms of the backup documentation.</p> <p><b>Risk</b> Incorrect or fraudulent amounts are paid.</p>	<p>It was agreed that the requirement for back-up documentation, where appropriate, would be reinforced in the revised procedures, as mentioned in 3.1.</p> <p>A section payment form should be completed in all instances, and again this will be reiterated within the revised procedures. Amongst other details, the form should clearly state the justification for the spend, and also the time frame it covers.</p> <p>An email will also be sent to all relevant teams, instructing that no section payments should be made without a properly authorised Section form being presented.</p> <p>It will also be re-stated that, in appropriate circumstances, back up documentation should also be attached to the section form.</p> <p>Staff will be reminded that it is absolutely forbidden to use a personal credit card to purchase goods on behalf of a client. Purchase cards are available from the Financial Management Unit.</p>	High
			<b>Responsible Officer</b>
			Tim Ward / Bill Smith
			<b>Risk Identifier</b>
			SP013
			<b>Action Date</b>
			31/10/14 for revised procedures 8/8/14 for email to Teams

Ref	Findings & Risk	Agreed Action	Importance Level
3.3	<p><b><u>Kinship Carer Payments</u></b></p> <p>Throughout the sample testing of Section 17 payments, we observed that there were a number of kinship carer payments being made under section 17 of the Act.</p> <p>Kinship carers are where a child is placed in the care of family or friends for a short or long period of time. Under the Looked After Children (Scotland) Regulations 2009, kinship carers are defined as a person who is related to the child (through blood, marriage or civil partnership) or a person with whom the child has a pre-existing relationship.</p> <p>A potential kinship carer has to apply to become a kinship carer and receives no allowance until they are approved. We were advised that an informal kinship allowance (£40 per week per child which was approved by the Senior Manager) is paid by the council under section 17 of Children (Scotland) Act 1995 until the carer is approved, and formal arrangements are put in place. From an examination of the Section 17, it is not evident that these payments are in accordance with the Act, and there is no approved council policy or procedure to cover this arrangement.</p> <p>We were however advised that there are procedures currently being drafted for Kinship Care Allowance payments.</p> <p><b><u>Risk</u></b></p> <p>Payments made may not be allowable under the Children (Scotland) Act 1995 and not approved by the council.</p>	It was agreed that detailed procedures would be drawn up concerning all Kinship care payments, including payments to pre-approved Kinship Carers.	High
			<b>Responsible Officer</b>
			Tim Ward
			<b>Risk Identifier</b>
			SP013
			<b>Action Date</b>
			31/10/14

Ref	Findings & Risk	Agreed Action	Importance Level
3.4	<p><b><u>Non-Compliance with Authorisation Levels</u></b></p> <p>As noted at 3.1 there is a document in place which details the authorisation levels for section payments:</p> <p>Social Worker: £ 50 single payment £100 over 6 months</p> <p>Team Manager: £100 single payment £500 over 6 months</p> <p>Expenditure above Team Manager levels must be authorised by the Group Manager.</p> <p>From the sample testing carried out, it was noted that there were instances where section payments had been made without the above authorisations taking place. This was the case in 15 of the 110 section payment forms reviewed.</p> <p>There were two instances where payment had been authorised for £1000 (for client accounts) but had not been authorised by the Group Manager.</p> <p>It is important to ensure that both the social workers and the Admin teams ensure correct authorisation is in place prior to any payment being processed. It may be beneficial to review the current authorisation levels to determine if they continue to be appropriate.</p> <p><b><u>Risk</u></b></p> <p>Excessive or fraudulent payments are made.</p>	<p>It was agreed that the current authorisation levels and processes are no longer fit for purpose; having been in place since 1996.</p> <p>New authorisation levels and processes to be considered as part of the overall review as mentioned in 3.1.</p>	High
			<b>Responsible Officer</b>
			Tim Ward / Bill Smith
			<b>Risk Identifier</b>
			SP013
			<b>Action Date</b>
			31/10/14

Ref	Findings & Risk	Agreed Action	Importance Level
3.5	<p><b><u>Use of Microsoft Money Software (MS Money)</u></b></p> <p>MS Money is a MS Access based personal finance management software application and is currently being used by all three social work centres for the recording of payment to clients.</p> <p>MS Money is a free product and was discontinued in 2009, and has not been supported since 2011. Therefore, if there are any technical issues with the software, no assistance is available and there is a potential risk of loss of data relating to client payments.</p> <p><b><u>Risk</u></b></p> <p>Loss of personal data.</p>	<p>A request for assistance was forwarded to IT some time ago, however still awaiting a response.</p> <p>Currently looking at potential alternatives; including a simple excel spreadsheet.</p> <p>The Web version of SWIFT may also provide a solution; however that will not be available in the short term.</p>	High
			<b>Responsible Officer</b>
			Bill Smith
			<b>Risk Identifier</b>
			SP013
			<b>Action Date</b>
			31/10/14

Ref	Findings & Risk	Agreed Action	Importance Level
3.6	<p><b><u>Storage of Data and Password Security</u></b></p> <p>During visits to the three social work centres, we were advised that the application MS Money is not on the network at two of the social work centres. The application and data is accessible only on the C drive of a standalone pc at one centre, and on one staff member's pc at another centre (as a result, when the member of staff is on leave, the network login and password is provided to others in the team for access purposes). Backups of the data at these offices are carried out daily on encrypted USB drives which are stored in the office safes overnight.</p> <p>It was noted that the third centre has the MS Money application and data are on the council's network and can therefore be accessed securely by staff as required.</p> <p>In order to comply with the council's Information Security Policy and the Data Protection Act all software applications should be on the network where data is held securely and can be backed up onto servers. The current arrangements at Bathgate and Livingston contravene council policy and arrangements similar to those in Broxburn should be put in place.</p> <p><b><u>Risk</u></b></p> <p>Unauthorised access to, and loss of, personal data.</p>	<p>Bathgate now using an encrypted lap-top, backed up with encrypted memory stick.</p> <p>This enables several passwords to be used, and obviates the need for staff to disclose passwords.</p> <p>A similar solution will be put in place for Livingston.</p>	High
			<b>Responsible Officer</b>
			Bill Smith
			<b>Risk Identifier</b>
			SP013 / COR007
			<b>Action Date</b>
			31/10/14

Ref	Findings & Risk	Agreed Action	Importance Level
3.7	<p><b><u>Responsibility for Section Payments</u></b></p> <p>Section 30 payments are made for 'previously looked after children who require financial assistance towards education or training'. All payments should be processed by the Admin team at Livingston social work centre. We were advised that there are rarely any payments made under section 30. However, the actual expenditure in 2013/14 for section 30 payments was £6,566 and for the current year, the expenditure to date is £1,968. The budget 2013/14 and 2014/15 have been set at £8,000.</p> <p>There needs to be a clearly defined process put in place which states how and by whom section 30 payments should be made. This requires to be communicated to all social workers and could form part of the procedures referred to in finding 3.1</p> <p><b><u>Risk</u></b></p> <p>Lack of clarity over responsibility for payments.</p>	Agreed to be included in the revised procedures as mentioned in 3.1	Medium
			<b>Responsible Officer</b>
			Jane Kellock
			<b>Risk Identifier</b>
			SP013
			<b>Action Date</b>
			31/10/14



Ref	Findings & Risk	Agreed Action	Importance Level																				
3.8	<p><b><u>Operation of Social Work Centre Bank Accounts</u></b></p> <p>The bank balances and cash in hand held in respect of the social work centre bank accounts at June 2014 were as follows:</p> <table><tr><th>Office</th><th>Bank Balance</th><th>Cash in Hand</th><th>Total</th></tr><tr><td>Bathgate</td><td>£45,957.34</td><td>£4,988.28</td><td>£50,945.62</td></tr><tr><td>Livingston</td><td>£30,440.73</td><td>£1,054.24</td><td>£31,494.97</td></tr><tr><td>Broxburn</td><td>£25,112.76</td><td>£ 382.82</td><td>£25,495.58</td></tr><tr><td><b>Total</b></td><td>£101,510.83</td><td>£6,425.34</td><td>£107,936.17</td></tr></table> <p>The social work bank accounts are used as follows:</p> <ul style="list-style-type: none"><li>• allocation of section payment funds to client accounts, where a cheque is requested from the council, and paid into the bank account. Payments are then made to the client as required.</li><li>• allocation of funds for corporate appointeeships. Funds held in the central social work bank account are transferred to the social work centre bank accounts.</li><li>• direct payment into the social work centre bank accounts in respect of corporate appointeeships, again to enable payment to clients.</li></ul> <p>We were unable to determine the value of funds in the bank accounts that relate to each of the uses listed above. For section payments once funds are paid into the social work centre bank accounts they are recorded in the council's ledger as actual expenditure, however in reality this is only committed expenditure until payments are actually made to the clients.</p> <p>It was furthermore established that the balances on the social work centre bank accounts and the corresponding cash in hand is not included in the bank balance in the council's annual accounts.</p> <p>We were advised that the balances on client cash accounts are reviewed periodically and money is paid back to the council where it is no longer required.</p>	Office	Bank Balance	Cash in Hand	Total	Bathgate	£45,957.34	£4,988.28	£50,945.62	Livingston	£30,440.73	£1,054.24	£31,494.97	Broxburn	£25,112.76	£ 382.82	£25,495.58	<b>Total</b>	£101,510.83	£6,425.34	£107,936.17	<p>Social Workers will request section payments, and then pay that money into a client's cash account. For operational and practical reasons, that cash may not be given to the client in one transaction.</p> <p>It is agreed that in circumstances such as this, then the expenditure shown on the council's ledger will be over-stated.</p> <p>It was agreed that this practice would be reviewed as part of the revised procedures as mentioned in 3.1. In consideration however, it was felt that the significance of the current practice should be gauged against the impact on operational effectiveness; including the generation of additional paperwork, and impact on staff work-loads, that any change would bring about.</p> <p>The issue of the bank accounts and where they should be recorded is a matter for the Financial Management Unit.</p> <p>Consideration would need to be given as to who actually "owns" the money.</p>	High
		Office	Bank Balance	Cash in Hand	Total																		
		Bathgate	£45,957.34	£4,988.28	£50,945.62																		
		Livingston	£30,440.73	£1,054.24	£31,494.97																		
		Broxburn	£25,112.76	£ 382.82	£25,495.58																		
		<b>Total</b>	£101,510.83	£6,425.34	£107,936.17																		
Responsible Officer																							
Bill Smith																							
Risk Identifier																							
SP013 / FM007																							
Action Date																							
31/10/14																							

	<b><u>Risk</u></b> Potential overstatement of expenditure and bank balances not recorded in the council's accounts.		
<b>Ref</b>	<b>Findings &amp; Risk</b>	<b>Agreed Action</b>	<b>Importance Level</b>
3.9	<b><u>Reconciliation of Social Work Centre Bank Accounts</u></b> The social work centre bank accounts are reconciled weekly to the balance of client funds held in MS Money at each office. The reconciliation is signed as evidence of preparation and checking. However the preparation and checking is undertaken by the same staff who operate MS Money and the bank accounts on a daily basis, and there is no independent check of the reconciliation.  <b><u>Risk</u></b> Monies not properly accounted for and increased risk of fraudulent transactions or misappropriation of funds.	Agreed that an email will be circulated to appropriate teams, instructing that independent weekly checks on the reconciliations be carried out.	High <b>Responsible Officer</b> Bill Smith <b>Risk Identifier</b> SP013 <b>Action Date</b> 8/8/14

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

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

**AUDIT OPINION**

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

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





West Lothian  
Council

# MEMORANDUM

Finance & Estates  
Audit and Risk Management Unit

**TO** : Donald Forrest, Head of Finance and Estates

**FROM** : Kenneth Ribbons, Audit and Risk Manager

**REF. NO.** : SP1401/RS

**DATE** : 18 November 2014

## Internal Audit of Section Payments

### 1.0 INTRODUCTION

- 1.1 In accordance with the annual audit plan for 2014/15, we have undertaken a review of Section Payments within Social Policy. As a result of the audit, a number of issues have arisen which require the attention of the Financial Management Unit.
- 1.2 A separate audit report has been prepared detailing findings specifically relating to Social Policy and we have concluded that the level of control over Section Payments is **unsound**.
- 1.3 Our review concentrated on the key controls and our testing was undertaken on a sample basis. Therefore, the weaknesses we have identified are not necessarily all those which exist.
- 1.4 We agreed this draft memorandum for factual accuracy with Reta Wallace, Group Accountant on 10 November 2014.
- 1.5 You are responsible for both the implementation of agreed actions and the risk arising from not acting on any agreed actions in this report.
- 1.6 We carry out follow-up reviews on a risk based approach and I will determine the need for a follow-up review of this report.
- 1.7 In accordance with the council's risk management arrangements services are required to record internal audit findings graded as 'high' importance in Covalent as risk actions and to link these to the corresponding risks.
- 1.8 Audit findings ranked as being of 'high' importance that are not implemented will be reported to the Governance and Risk Board and Audit and Governance Committee and considered for inclusion in the Annual Governance Statement.

## 2.0 AUDIT FINDINGS

2.1 The following findings ranked as 'High' importance were found:

- bank accounts for the three social work centres have not previously been identified by Financial Management Unit and as a result have not been considered for inclusion in the annual accounts. (finding 3.1)
- section payments expenditure is recorded as being incurred in the ledger as soon as initial requests for payments are made by the social work centres. However the funds are not always immediately utilised and may be deposited in the bank account or kept as cash in hand until required. (finding 3.2)

2.2 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.

**Kenneth Ribbons**  
**Audit and Risk Manager**

Copy to: Reta Wallace  
Merle Stevenson



### 3.0 ACTION PLAN

Ref	Findings & Risk	Agreed Action	Importance Level															
3.1	<p><b><u>Operation of social work centre bank accounts</u></b></p> <p>During the course of the audit, three bank accounts were identified belonging to the three social work centres. The three bank accounts are under the names of each social work centre and not West Lothian Council. From discussion with the Financial Management Unit (FMU), it has been established that these bank accounts have not been identified by FMU and as a result have not been considered for inclusion in the annual accounts.</p> <p>The following table shows the bank balances and cash in hand in these accounts at June 2014:</p> <table><tr><th>Office</th><th>Bank Balance</th><th>Cash in Hand</th></tr><tr><td>Bathgate</td><td>£45,957.34</td><td>£4,988.28</td></tr><tr><td>Livingston</td><td>£30,440.73</td><td>£1,054.24</td></tr><tr><td>Broxburn</td><td>£25,112.76</td><td>£ 382.82</td></tr><tr><td><b>Total</b></td><td><b>£101,510.83</b></td><td><b>£6,425.34</b></td></tr></table> <p>It would be of benefit for FMU to carry out a review of all bank accounts operated by council services to ensure there is a complete and accurate record of all council bank accounts, and also to ensure appropriate insurance cover is in place for any cash held.</p> <p><b><u>Risk</u></b></p> <p>Bank accounts not correctly reflected in the annual accounts.</p> <p>Loss or misappropriation of monies held.</p>	Office	Bank Balance	Cash in Hand	Bathgate	£45,957.34	£4,988.28	Livingston	£30,440.73	£1,054.24	Broxburn	£25,112.76	£ 382.82	<b>Total</b>	<b>£101,510.83</b>	<b>£6,425.34</b>	FMU will carry out a review of all bank accounts operated by council services to ensure there is a complete and accurate record of all council bank accounts.	High
		Office	Bank Balance	Cash in Hand														
		Bathgate	£45,957.34	£4,988.28														
		Livingston	£30,440.73	£1,054.24														
		Broxburn	£25,112.76	£ 382.82														
		<b>Total</b>	<b>£101,510.83</b>	<b>£6,425.34</b>														
<b>Responsible Officer</b>																		
Reta Wallace																		
<b>Risk Identifier</b>																		
FM007 / WLC020																		
<b>Action Date</b>																		
			31/03/15															

Ref	Findings & Risk	Agreed Action	Importance Level
3.2	<p><b><u>Recording of expenditure in the ledger</u></b></p> <p>It was noted that when the social work centres request funds from FMU (Accounts Payable), they put in a written request for the amount and state the section payment which the expenditure relates to. However, in many cases, these requests are for advances of monies for expenditure relating to individual clients. The advance funds are not always immediately utilised and may be deposited in the bank account or kept as cash in hand until required.</p> <p>We were advised that as soon as the initial requests are made to FMU the expenditure is recorded as being incurred in the ledger.</p> <p><b><u>Risk</u></b></p> <p>Potential overstatement of expenditure included in the council's ledger.</p>	Following outcome of the review of bank accounts in 3.1 above FMU will account correctly for all bank accounts and expenditure incurred.	High
			<b>Responsible Officer</b>
			Reta Wallace
			<b>Risk Identifier</b>
			FM007
			<b>Action Date</b>
			31/03/15
Ref	Findings & Risk	Agreed Action	Importance Level
3.3	<p><b><u>Payment Arrangements and Financial Streamlining</u></b></p> <p>The Head of Finance and Estates is the appointed officer under S95 of the Local Government (Scotland) Act 1973 and is responsible for the proper administration of the council's financial affairs.</p> <p>The arrangements outlined in sections 3.1 and 3.2 above demonstrate the situation where a council service is responsible for making significant payments to clients outwith corporate payment procedures. It would be beneficial if these arrangements were subject to a more detailed review.</p>	The payment processes operated for section payments will be reviewed to identify scope for streamlining and consolidation, as part of a wider consideration of financial processes in the council.	Medium
			<b>Responsible Officer</b>
			Merle Stevenson
			<b>Risk Identifier</b>
			SP013



	<u>Risk</u> Inconsistent approach to making payments and potential failure to comply with corporate standards.		Action date
			30/06/15

## APPENDIX A

**AUDIT FINDINGS**

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

**AUDIT OPINION**

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

Overall Opinion	Definition
<b>EFFECTIVE</b>	No findings ranked as 'High' importance. There may be a few 'Low' and 'Medium' ranked findings.
<b>SATISFACTORY</b>	No findings ranked as 'High' importance however there are a moderate number of 'Low' and 'Medium' ranked findings.
<b>REQUIRES IMPROVEMENT</b>	A few findings ranked as 'High' importance. There may also be a number of findings ranked as 'Low' and 'Medium' importance.
<b>UNSOUND</b>	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 AND GOVERNANCE COMMITTEE**

### **INTERNAL AUDIT OF ADMINISTRATION OF MEDICATION WITHIN SOCIAL POLICY UNITS**

#### **REPORT BY AUDIT AND RISK MANAGER**

##### **A. PURPOSE OF REPORT**

To inform the Audit and Governance Committee of the outcome of an internal audit of the administration of medication within Social Policy units.

##### **B. RECOMMENDATION**

That the Audit and Governance Committee notes that control requires improvement.

##### **C. SUMMARY OF IMPLICATIONS**

<b>I Council Values</b>	Being honest, open and accountable. Making best use of our resources.
<b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	Social Policy medication management policy. Social Policy medication management framework procedure.
<b>III Implications for Scheme of Delegations to Officers</b>	None.
<b>IV Impact on performance and performance Indicators</b>	None.
<b>V Relevance to Single Outcome Agreement</b>	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
<b>VI Resources - (Financial, Staffing and Property)</b>	None.
<b>VII Consideration at PDSP</b>	None.
<b>VIII Other consultations</b>	Officers within Social Policy as part of the audit process.

##### **D. TERMS OF REPORT**

In accordance with the annual internal audit plan for 2014/15, we have undertaken an audit of the administration of medication within Social Policy units. Our audit involved visiting a sample of eight units to determine whether effective medication arrangements were in place. Our audit also involved following up previous recommendations by the Gallagher Bassett risk consultant.

The action plan appended to the internal audit report sets out the audit findings and the agreed action.

**E. CONCLUSION**

We have concluded that control in relation to the administration of medication within Social Policy units requires improvement.

**F. BACKGROUND REFERENCES**

Report to Audit and Governance Committee 11 February 2014: Internal Audit Plan 2014/15.

Appendices/Attachments: (1) Internal audit report on the administration of medication within Social Policy units dated 17 November 2014

Contact Person: Kenneth Ribbons, Audit and Risk Manager  
[kenneth.ribbons@westlothian.gov.uk](mailto:kenneth.ribbons@westlothian.gov.uk) Tel No. 01506 281573

**Kenneth Ribbons**  
**Audit and Risk Manager**  
Date: 1 December 2014



**West Lothian  
Council**

**Finance & Estates**

**Audit and Risk Management Unit**

**SP1402**

# **INTERNAL AUDIT REPORT**

## **SOCIAL POLICY**

### **ADMINISTRATION OF MEDICATION (SP009)**

**17 November 2014**



**INVESTORS  
IN PEOPLE**

[westlothian.gov.uk](http://westlothian.gov.uk)



**West Lothian  
Council**

# CONTENTS

No.	Section	Page
1.	Executive Summary	1
2.	Remit	3
3.	Action Plan	4
	<u>Appendix A</u> – Definitions of Audit Findings & Audit Opinion	12

## 1.0 EXECUTIVE SUMMARY

- 1.1 In accordance with the annual audit plan for 2014/15, we have undertaken a review of the administration of medication (risk SP009) within Social Policy and conclude that the level of control **requires improvement**. However, it is acknowledged that significant steps have been taken by Social Policy to improve the overall arrangements for the administration of medication.
- 1.2 The audit remit is set out in section two.
- 1.3 The Covalent Risk SP009: Harm to service user from error or omission in administering medicine is currently scored as low and has eight controls attached to the risk. Each control was tested to ensure it was working effectively.
- 1.4 A Gallagher Bassett risk review of policy and procedures for support with medicines and medical treatments was carried out in 2012 with a subsequent report detailing recommendations for improvement being issued in August 2013. There were twelve actions which were prioritised as either A, B or C. The following are the definitions for each category:

Category	Priority	Definition
A (5)	High	Considered to be critical as they relate directly to matters of compliance with legal responsibilities or reduction of the risk in areas of high exposure. Should be considered immediately and implemented as soon as possible
B (3)	Medium	Matters which relate to standards, codes of practice and legal requirements. Their adoption will be very important to the overall risk management programme and best practice. Should receive prompt attention and introduction phased to be completed over a 12 month period.
C (3)	Low	These are actions which represent or suggest minor improvements to existing procedures. These are also actions that would be in line with best practice advice. If these are accepted then they should be adopted as soon as possible.

There were 5 Category A actions, 3 Category B actions and 3 Category C actions. One action was not categorised. Each action was reviewed to ensure it had been effectively implemented.

- 1.5 We visited the following service units:

- Limecroft Care Home
- Whitdale Care Home
- Craigmair Care Home
- Eilburn Resource Centre (Learning Disability)
- Pathways (Learning Disability)
- Deans Residential Unit (Learning Disability)
- Livingston Family Centre
- Whitdale Family Centre

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

- there is a medication management policy and medication framework procedures in place which outline the requirements for each service unit;
- training for the administration of medication is provided to all new employees and refresher training is provided every three years;
- the medication management group regularly review the policy and procedures;
- monthly management and quarterly peer audits are carried out at care homes;
- incidents and near misses reporting is in place;
- the Care Inspectorate carry out inspections of council facilities.

1.7 The following finding ranked as 'High' importance was found:

- while there are robust procedures for dispensing controlled drugs at each of the service units, there is no consistent approach in place for the storage and access arrangements for keys to controlled drugs and there is no regular audit check carried out for controlled drugs (finding 3.2).

1.8 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.

1.9 We appreciate the assistance of Social Policy staff during the conduct of our audit. Should you require any further assistance please contact Rafath Saleem.

**Kenneth Ribbons**  
**Audit and Risk Manager**



## **2.0 REMIT**

- 2.1 The objectives of the audit were to review the control measures in place for Covalent Risk SP009: “harm to service user arising from error or omission in administering medicine”. A follow up of the agreed actions arising from the Gallagher Bassett risk consultant medication review was also be carried out.
- 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 Pamela Main, Senior Manager on 5 November 2014.
- 2.4 The Head of Social Policy 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 and Risk Manager will determine the need for a follow-up review of this report.
- 2.6 In accordance with the councils risk management arrangements services are required to record internal audit findings graded as ‘high’ importance in Covalent as risk actions and to link these to the corresponding risks.
- 2.7 Audit findings ranked as being of ‘high’ importance that are not implemented will be reported to the Governance and Risk Board and Audit and Governance Committee and considered for inclusion in the Annual Governance Statement.

### 3.0 ACTION PLAN

Ref	Findings & Risk	Suggested/Agreed Action	Importance Level
3.1	<p><b><u>Incident forms not being submitted to Health &amp; Safety</u></b></p> <p>As part of the near misses and incidents process, all incidents require to be reported to Health and Safety. This is stated in the Medication Management Policy and the reporting is carried out by sending a completed incident form to Health and Safety. However, it was noted that two service units were not aware that incident forms require to be submitted to Health and Safety i.e. Whitdale and Craigmair.</p> <p>All service units should be informed of the correct process for reporting near misses and incidents and advised to adhere to it.</p> <p><b><u>Risk</u></b></p> <p><i>Health and Safety have incomplete incident records which may lead to an increased likelihood of incidents recurring.</i></p>	Unit Managers to be reminded of requirement to submit Incident Reports in relation to incidents and near misses. Group Managers to monitor and provide compliance evidence to Responsible Officer.	Medium
			<b>Responsible Officer</b>
			Pamela Main
			<b>Risk Identifier</b>
			SP009
			<b>Action Date</b>
			30/12/14

Ref	Findings & Risk	Agreed Action	Importance Level
3.2	<p><b><u>Controlled Drugs – Cupboard keys and audit checks of stock (Category A- Gallagher Bassett)</u></b></p> <p>The Gallagher Bassett review stated that the methodology for the storing and access arrangements for keys to controlled drugs should be reviewed to ensure consistency across all service units. This was a category A action, 'considered to be critical'. However from an examination of the framework procedures, it is noted that there is no reference made to the storing and access of the keys. Instead the only reference made to the keys in the procedures is that only authorised persons should hold keys to the controlled drugs cupboard.</p> <p>The Gallagher Bassett review further required that the methodology of monitoring controlled drugs should be reviewed to ensure consistency across all units. It was observed that while each unit has robust procedures in place for dispensing controlled drugs, there is no procedure for regular audit checks of controlled drugs.</p> <p><b><u>Risk</u></b></p> <p><i>Loss or theft of controlled drugs remains unidentified.</i></p>	<p>Framework Procedure to be reviewed, amended and approved by Medication Advisory Group.</p> <p>Audit arrangements to be enhanced to include monthly audits in units where controlled drugs are routinely administered.</p>	High
			<b>Responsible Officer</b>
			Pamela Main
			<b>Risk Identifier</b>
			SP009
			<b>Action Date</b>
			30/03/15

Ref	Findings & Risk	Agreed Action	Importance Level
3.3	<p><b><u>Drugs returned to pharmacy are not signed off by pharmacist (Category A –Gallagher Bassett)</u></b></p> <p>The Gallagher Bassett review recommended that there should be sign off from the pharmacist for drugs returned to the pharmacy and further recommended that there should be consistency across all service units. From visiting the three care homes, one was not obtaining sign off from the pharmacist i.e. Whitdale.</p> <p>While the framework procedures state that evidence of drugs returned should be obtained from the pharmacist, there is no further detail in relation to the process to be followed.</p> <p>Consideration should be given to drawing up a process that all service units need to comply with. This will ensure that the Gallagher Bassett recommendation has been fully implemented to ensure there is a consistent approach at each service unit.</p> <p><b><u>Risks</u></b></p> <p><i>Medicine may get mixed up and accidentally be given to other service users causing harm.</i></p> <p><i>Potential for deliberate misuse of drugs.</i></p>	<p>Framework Procedure to be reviewed, amended and approved by Medication Advisory Group.</p> <p>Group Managers to monitor and provide evidence of compliance.</p>	Medium
			<b>Responsible Officer</b>
			Pamela Main
			<b>Risk Identifier</b>
			SP009
			<b>Action Date</b>
			30/03/15

Ref	Findings & Risk	Agreed Action	Importance Level
3.4	<p><b><u>Procedures have not been updated in line with framework procedures</u></b></p> <p>A framework procedure was issued in March 2014 to all service units to adapt to their service unit. During audit testing, it was noted that two service units had not adopted the new framework procedures i.e. Livingston Family Centre and Brucefield House.</p> <p><b><u>Risk</u></b></p> <p><i>Following incorrect procedures which may result in increased risk of injury or harm to the service user.</i></p>	<p>Livingston Family Centre and Brucefield House to update local procedures.</p> <p>Group managers to provide evidence of compliance.</p>	Medium
			<b>Responsible Officer</b>
			Pamela Main
			<b>Risk Identifier</b>
			SP009
			<b>Action Date</b>
			30/11/14
Ref	Findings & Risk	Agreed Action	Importance Level
3.5	<p><b><u>No monitoring of temperatures of storage cupboard carried out (Category A- Gallagher Bassett)</u></b></p> <p>While some medication is specifically stated to be stored in a refrigerator, other medication may only be required to be stored at room temperature. However, during the visits to service units, it was observed that not all service units were aware of the importance of ensuring medication is stored in a suitable place and monitoring temperatures regularly i.e. Whittrigg and Letham House.</p> <p>All service units should ensure medication is stored in a safe and secure storage area and where there is less likelihood of medication being prone to extreme temperatures. Temperatures should be monitored regularly.</p> <p><b><u>Risk</u></b></p> <p><i>Extreme temperatures can cause deterioration of medicines resulting in potential harm to the service user who uses the medication.</i></p>	<p>Framework procedure to be amended to ensure that guidance is consistent across all units and to be applied <b>where relevant.</b></p> <p>Revised Framework Procedure to be approved by Medication Advisory Group.</p> <p>Group Managers to raise awareness across all units and provide evidence of compliance.</p>	Medium
			<b>Responsible Officer</b>
			Pamela Main
			<b>Risk Identifier</b>
			SP009
			<b>Action Date</b>
			30/03/15

Ref	Findings & Risk	Agreed Action	Importance Level
3.6	<p><b><u>Management and peer audits not being carried out at all service units</u></b></p> <p>The Framework Procedures state that:</p> <p><i>'The UM/ Service Manager will develop and implement a programme of regular planned sample auditing of practice in their service. This programme of auditing will be undertaken at intervals not exceeding one month and will check, by sampling, examples (where undertaken by staff) of medication ordering/ storage/ administration/ recording/disposal.'</i></p> <p>For the sample of units visited we noted that the care homes were carrying out monthly management audits and quarterly peer audits. However the learning disability units were only carrying out weekly and monthly stock checks of medication, and no audits were being carried out by children and families units.</p> <p>While the framework procedures stipulate what the audit requirements are, this has not been interpreted correctly by all the service units.</p> <p>Audit requirements, including the frequency of auditing needs to be clearly defined and communicated to all units.</p> <p><b><u>Risk</u></b></p> <p><i>Areas of concern not identified early enough to prevent a serious incident in the future.</i></p>	<p>Training to be provided to raise awareness and knowledge of robust audit processes where this is appropriate.</p> <p>Revised audit processes to be implemented <b>where appropriate.</b></p>	Medium
			<b>Responsible Officer</b>
			Pamela Main
			<b>Risk Identifier</b>
			SP009
			<b>Action Date</b>
			30/03/15

Ref	Findings & Risk	Agreed Action	Importance Level
3.7	<p><b><u>External audit for administration of medication</u></b></p> <p><b><u>(Category B - Gallagher Bassett)</u></b></p> <p>The Gallagher Bassett review was undertaken in December 2012 and the final report was issued in August 2013. The review recommended that formal auditing may be incorporated into the council's Audit and Risk Management Unit's auditing programme. It was however agreed that this would not be feasible on a regular basis.</p> <p>Therefore, the Senior Manager has decided that it would be best to have an independent audit carried out by a specialist external company. Omnicare has carried out reviews in the past and the last review took place in 2012. It is acknowledged that arrangements have not as yet been made for any future audits and this is currently under consideration. The implementation of audits will ensure compliance with the finding in the Gallagher Bassett review.</p> <p><b><u>Risk</u></b></p> <p><i>Failure to timeously identify issues and take action in relation to the administration of medication therefore placing service users at increased risk of harm or injury.</i></p>	<p>Specification for audit to be finalised.</p> <p>Tender process agreed.</p>	Medium
			<b>Responsible Officer</b>
			Pamela Main
			<b>Risk Identifier</b>
			SP009
			<b>Action Date</b>
			30/03/15

Ref	Findings & Risk	Agreed Action	Importance Level
3.8	<p><b><u>Contingency protocol for medication fridges not working</u></b></p> <p>Some medication is required to be stored in a refrigerator. The framework procedures state that '<i>a contingency protocol needs to be in place which identifies the action that needs to be taken if the fridge becomes faulty</i>'. However, while visiting the service units, it was noted that there were only three service units that had a basic protocol in place i.e. Deans Residential Unit, Pathways and Eliburn Resource Centre.</p> <p>While it is acknowledged that the service units will have alternative locations where medicine can be stored it is important that this is documented and all staff are aware of the correct protocol to follow.</p> <p><b><u>Risk</u></b></p> <p><i>Failure to take appropriate action in the event of a fridge failure resulting in damage to medication.</i></p>	<p>One standard protocol will be developed for inclusion as an appendix to the revised Framework Procedure.</p> <p>Revised Framework Procedure to be approved by Medication Advisory Group.</p>	Low
			<b>Responsible Officer</b>
			Pamela Main
			<b>Risk Identifier</b>
			SP009
			<b>Action Date</b>
			30/03/15



Ref	Findings & Risk	Agreed Action	Importance Level
3.9	<p><b><u>Care plans and medication risk assessments</u></b></p> <p>During the testing carried out at each of the service units, both individual medication care plans and medication risk assessments for service users were examined to confirm these were up to date. It was observed that some service units were reviewing their care plans and medication risk assessments on an annual basis and some on a six monthly basis. There were some service users whose risk assessments had not been reviewed for over a year.</p> <p>We were advised by the Senior Manager that the standard for review of care plans is every six months and it is expected that the medication plan would be reviewed as part of this. However neither the framework procedure nor the medication management policy states how regular the reviews should be.</p> <p>To ensure consistency and to comply with best practice, it is important to ensure that all service units are aware of the standards for review periods.</p> <p><b><u>Risk</u></b></p> <p><i>Areas of concern not identified early enough resulting in potential harm or injury to the service user.</i></p>	<p>One standard protocol will be developed for inclusion as an appendix to the revised Framework Procedure</p> <p>Revised Framework Procedure to be approved by Medication Advisory Group</p>	Medium
			<b>Responsible Officer</b>
			Pamela Main
			<b>Risk Identifier</b>
			SP009
			<b>Action Date</b>
			30/03/15

## DEFINITIONS OF AUDIT FINDINGS & AUDIT OPINION

### AUDIT FINDINGS

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

### AUDIT OPINION

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

Overall Opinion	Definition
<b>EFFECTIVE</b>	No findings ranked as 'High' importance. There may be a few 'Low' and 'Medium' ranked findings.
<b>SATISFACTORY</b>	No findings ranked as 'High' importance however there are a moderate number of 'Low' and 'Medium' ranked findings.
<b>REQUIRES IMPROVEMENT</b>	A few findings ranked as 'High' importance. There may also be a number of findings ranked as 'Low' and 'Medium' importance.
<b>UNSOUND</b>	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 AND GOVERNANCE COMMITTEE**

### **INTERNAL AUDIT OF FIRE SAFETY IN SOCIAL POLICY UNITS**

#### **REPORT BY AUDIT AND RISK MANAGER**

##### **A. PURPOSE OF REPORT**

To inform the Audit and Governance Committee of the outcome of an internal audit of fire safety arrangements within Social Policy units.

##### **B. RECOMMENDATION**

That the Audit and Governance Committee notes that control requires improvement.

##### **C. SUMMARY OF IMPLICATIONS**

<b>I Council Values</b>	Being honest, open and accountable. Making best use of our resources.
<b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	Fire (Scotland) Act 2005. Fire Safety (Scotland) Regulations 2006. Practical Fire Safety Guidance for Care Homes February 2014.
<b>III Implications for Scheme of Delegations to Officers</b>	None.
<b>IV Impact on performance and performance Indicators</b>	None.
<b>V Relevance to Single Outcome Agreement</b>	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
<b>VI Resources - (Financial, Staffing and Property)</b>	None.
<b>VII Consideration at PDSP</b>	None.
<b>VIII Other consultations</b>	Officers within Social Policy and Construction Services as part of the audit process.

##### **D. TERMS OF REPORT**

In accordance with the annual internal audit plan for 2014/15, we have undertaken an audit of fire safety arrangements within Social Policy units.

Our audit involved visiting a sample of twenty units to determine whether effective fire safety arrangements were in place.

The action plan appended to the internal audit report sets out the audit findings and

the agreed action. A number of additional findings ranked “low” were identified which have not been included in the attached report, and have been communicated separately to Social Policy.

**E. CONCLUSION**

We have concluded that control in relation to fire safety arrangements in Social Policy units requires improvement.

**F. BACKGROUND REFERENCES**

Report to Audit and Governance Committee 11 February 2014: Internal Audit Plan 2014/15.

Appendices/Attachments: (1) Internal audit report on fire safety in Social Policy units dated 11 November 2014

Contact Person: Kenneth Ribbons, Audit and Risk Manager  
[kenneth.ribbons@westlothian.gov.uk](mailto:kenneth.ribbons@westlothian.gov.uk) Tel No. 01506 281573

**Kenneth Ribbons**  
**Audit and Risk Manager**  
Date: 1 December 2014



West Lothian  
Council

Finance & Estates

Audit and Risk Management Unit

SP1403

## INTERNAL AUDIT REPORT

### SOCIAL POLICY

### FIRE SAFETY IN SOCIAL POLICY UNITS (SP005)

11 November 2014



INVESTORS  
IN PEOPLE

[westlothian.gov.uk](http://westlothian.gov.uk)



West Lothian  
Council

# CONTENTS

No.	Section	Page
1.	Executive Summary	1
2.	Remit	3
3.	Action Plan	4
	<u>Appendix A :</u> Definitions of Audit Findings & Audit Opinion	11
	<u>Appendix B :</u> Summary of assessment actions matched to Covalent	12
	<u>Appendix C :</u> Housing with care tenancies in West Lothian.	14

## 1.0 EXECUTIVE SUMMARY

- 1.1 In accordance with the annual audit plan for 2014/15, we have undertaken a review of fire safety in Social Policy units (risk register reference SP005) and conclude that the level of control **requires improvement**.
- 1.2 The audit remit is set out in section two.
- 1.3 An extract from the introduction to the Social Policy management plan for 2014/15 states "Social Policy encompasses a wide range of services planned for and delivered to a large number of people with a spectrum of differing needs. The services are divided into the following West Lothian Assessment Model (WLAM) areas:
- community care;
  - children and families;
  - criminal and youth justice service;
  - health improvement.
- 1.4 Guidance on fire safety awareness is available on the council's intranet via the MYTOOLKIT link. In addition, there is a document issued by the Scottish Government specific to care homes: "Practical Fire Safety Guidance for Care Homes". This was revised in February 2014.
- 1.5 The Scottish Government guidance states that it is the responsibility of duty staff to oversee the evacuation of residents and not the Fire and Rescue Service. There are two types of evacuation, i.e. "immediate" and "progressive". This would apply in care homes where staff and residents evacuate the building. Housing with care premises, where the residents are tenants, operate a "stay put" practice where staff and visitors in communal areas would evacuate the building, but tenants would remain in their rooms until the Fire Service arrive.
- 1.6 A sample of twenty units was selected for visiting and testing. A cross-section of units was taken comprising care homes, housing with care, day centres, family centres etc.
- 1.7 In relation to the units visited, the following key controls were found to be in place:
- Responsibility for fire safety in each unit was properly defined;
  - We are satisfied that annual and five year fire risk assessments were up to date for all properties (see however action plan 3.4);
  - There was confirmation of training for fire wardens, deputies and other participants;
  - There was confirmation that staff were briefed on fire safety regularly;
  - Adequate signage was in place and displayed throughout the units;
  - There was evidence of regular fire drills;
  - There was evidence that the fire alarm systems and fire safety equipment were annually inspected and maintained;
  - There was evidence of fire safety awareness training for the managers / deputies as responsible officers;
  - There was standard documentation used to record tests of fire alarm system and equipment in the property compliance book;
  - Annual and five year risk assessments are now sent to Construction Services and actions are recorded and monitored via Covalent. At the time of the audit work only a few Social Policy units had access to Covalent. Units without access forward details to Social Policy for input to Covalent centrally.

- 1.8 For each unit in the sample, Appendix B of this report details the risk assessments and matches these to fire safety risk actions recorded in Covalent. The actions are recorded in Covalent for monitoring purposes. Note that recording of actions in Covalent only commenced in November 2012. Actions for nine annual assessments and for two five year assessments were confirmed as being recorded in Covalent. One assessment was not in Covalent and Construction Services have agreed to input. The other assessments pre-dated November 2012 or had no actions raised.
- 1.9 The following findings ranked as 'high' importance were found:
- Residents can smoke in designated smoking rooms within care homes but the section on the risk assessment is not always completed;
  - Tenants in Housing with Care accommodation can smoke in their own rooms but not in communal areas in or around the premises;
  - A "stay put" practice is in operation for tenants in Housing with Care premises but no evidence of a formal written policy was obtained.
- 1.10 The action plan in section three details our findings, grades their importance (appendix A) and includes agreed actions. The implementation of agreed actions will help improve control.
- 1.11 We appreciate the assistance of Social Policy staff during the conduct of our audit. Should you require any further assistance please contact Leonard Heath.

**Kenneth Ribbons**  
**Audit and Risk Manager**



## **2.0 REMIT**

- 2.1 The audit objectives were to ensure that effective fire risk assessments are undertaken within Social Policy units and improvements are identified and acted upon.
- 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 and agreed actions with the following officers:
- Sarah Summers, Group Manager Children & Families on 22 August 2014;
  - Susan Stewart, Housing With Care Manager on 26 August 2014;
  - Dan Easton, Group Manager Older People on 27 August 2014
  - Joyce Ormiston, Group Manager Disabilities on 2 September 2014
  - Alan Bell, Senior Manager Management and Support, 14 October 2014
  - Paul Kettrick, Asset Manager/ Compliance Officer 16 September 2014
- 2.4 The Head of Social Policy and Head of Housing, Construction and Building Services are responsible for both the implementation of agreed actions and the risk arising from not acting on any agreed actions in this report.
- 2.5 We carry out follow-up reviews on a risk based approach. The Audit and Risk 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 'high' importance in Covalent as risk actions and to link these to the corresponding risks.
- 2.7 Audit findings ranked as being of 'high' importance that are not implemented will be reported to the Governance and Risk Board and Audit and Governance Committee and considered for inclusion in the Annual Governance Statement.

### 3.0 ACTION PLAN

Ref	Findings & Risk	Action	Importance Level
3.1	<p><b><u>Overdue Assessments: Whitdale Family Centre</u></b></p> <p>When we visited we identified that both the annual and 5 year assessments held on site were out of date (30-05-12 and 15-12-08)</p> <p>We were subsequently advised that Whitburn Family Centre (Social Policy) is included in the Fire Safety Risk Assessment (FRSA) of Whitdale Primary School (Education), although it is not shown on the cover of the report.</p> <p>The main fire safety documentation is retained at the primary school, with some documentation retained by the family centre. Both the school and family centre share the same fire alarm system.</p> <p>We were advised that the shared premises received a “notification of fire safety deficiencies” letter from the Scottish Fire and Rescue Service issued on 19 November 2013. One of the deficiencies was that “all persons who have shared responsibilities in respect of the relevant premises should co-operate and co-ordinate with regard to fire safety measures”</p> <p><b><u>Risk</u></b></p> <p>Fire safety issues remain undetected, increasing the risk of damage to premises or injury to individuals.</p>	<p>Margo McCreight (Whitdale FC Unit Manager) reviewed position with Whitdale Primary School and Kenny Hall (WLC FSRA Assessor with following outcome :</p> <ul style="list-style-type: none"> <li>The 5 year assessment is in date (was dated as completed on 22/06/13 issued on 05/12/13) and is now filed within both Whitdale Primary School and Family Centre.</li> <li>The 5 year assessment is now revised and amended to reflect accurately that the Family Centre (Social Policy) is fully included from being named on front cover to the detail within the report.</li> <li>The annual assessment was completed as part of the 5 year assessment which will be due soon for review. Family Centre Manager will speak with School Head and arrange meeting to have this completed.</li> <li>Agreement that the School Head and Family Centre Manager will meet annually to review and update shared responsibilities for the assessment of shared premises.</li> <li>The School Head will advise the Family Centre Manager of any correspondence received or sent relating directly to the fire safety assessments or shared responsibilities in respect of relevant premises.</li> </ul>	Medium
			Responsible Officer
			Margo McCreight
			Risk Identifier
			SP005
			Action Date
			31/03/15

Ref	Findings & Risk	Action	Importance Level
3.2a	<p><b><u>Smoking: Care Homes</u></b></p> <p>During the audit it was observed that in contrast to council premises which have a no smoking policy, care homes have designated smoking rooms. This is also referred to in the guidance issued by the Scottish Government which requires a smoking policy and proper risk assessment for this area. The smoking section of the fire safety risk assessment is not always completed.</p> <p><b><u>Risk</u></b></p> <p>Smoking increases the risk of fire.</p>	<p>Existing fire safety guidance in older people care homes will again be circulated to staff.</p> <p>Residents will be reminded that they cannot smoke conventional cigarettes in their bedrooms, only in the designated smoking room.</p> <p>A written smoking policy for older people care homes will be developed.</p> <p>Unit Managers will ensure that all sections of the risk assessments are completed.</p>	High
			Responsible Officer
			Dan Easton
			Risk Identifier
			SP005
			Action Date
			15/09/14
Ref	Findings & Risk	Action	Importance Level
3.2b	<p><b><u>Smoking: Housing With Care Premises</u></b></p> <p>Housing with care premises provide accommodation with care to tenants. As the rooms are tenanted the occupants can smoke, as it is their current accommodation. In the majority of premises the building is owned by an external provider.</p> <p><b><u>Risk</u></b></p> <p>Smoking increases the risk of fire.</p>	<p>All housing with care and sheltered housing premises are housing developments and the tenants have a Scottish Secured Tenancy and as such have their own home. As it is their own home the tenants can smoke if they wish.</p> <p>All tenancies have smoke and heat alarms connected to the Telecare core package of technology. Apart from this we comply with the council's smoking policy. We have no designated smoking rooms as all communal areas are covered by the "no smoking in public areas" legislation.</p>	High
			Responsible Officer
			Susan Stewart
			Risk Identifier
			SP005
			Action Date
			N/a

Ref	Findings & Risk	Action	Importance Level
3.3	<p><b><u>“Stay Put Policy”: Housing With Care Premises</u></b></p> <p>It was identified that housing with care premises operate a “stay put” policy. This means that if there is a fire drill / evacuation, tenants and their visitors are required to stay put in their rooms until the Fire and Rescue Service arrives.</p> <p>The tenants’ room doors are constructed to keep them safe from fire or smoke for a minimum of half an hour or up to an hour. Similarly walls and ceilings are constructed to minimise the risk of fire spreading. This type of construction is called compartmentation. The reasoning behind “stay put” is that there are times when only a few staff are on duty and it would be impracticable for them to evacuate all the tenants to an assembly point. This is acknowledged by the Fire and Rescue Service.</p> <p>There was no evidence obtained of a written council policy on this matter. We were however informed by Construction Services that it is standard practice in this type of property.</p> <p>Staff and visitors present in communal areas during a fire alarm will evacuate to the designated assembly points, in accordance with the premise’s evacuation plan.</p> <p><b><u>Risk</u></b></p> <p>Inadequate existing evacuation practice with no formally approved policy.</p>	Social Policy will liaise with Housing, Construction and Building Services to review the current “stay put” policy for tenants in the event of a fire within blocks of flats and thereafter seek formal approval for this policy through the appropriate council governance.	High
			Responsible Officer
			Alan Bell
			Risk Identifier
			SP005
			Action Date
			31/03/15

Ref	Findings & Risk	Action	Importance Level
3.4	<p><b><u>Responsibility for 5 year assessments: Housing With Care Tenancy Properties</u></b></p> <p>Dickson Court, West Calder and Holmes Gardens, Broxburn were two housing with care properties visited during this audit. No evidence was found that WLC had undertaken 5 year assessments. Copy assessments dated 6 October 2011 (Dickson Court) and 3 February 2011 (Holmes Gardens) were completed by Bield but it is unclear if they constitute a 5 year assessment. The actions were required to be implemented over a three year period.</p> <p>We were advised by Construction Services that they have requested clarification from Property Management &amp; Development as to whether the council or the external provider (i.e. Bield) is responsible for undertaking these assessments.</p> <p>Until this matter is clarified, for safety reasons, Construction Services have opted to undertake the assessments.</p> <p><b><u>Risk</u></b></p> <p>Fire safety issues remain undetected, increasing the risk of damage to premises or injury to individuals.</p>	<p>As part of the ongoing implementation of improved statutory compliance monitoring Property Management and Development (PM&amp;D) have confirmed and agreed the following with Construction Services (CS):</p> <ul style="list-style-type: none"> <li>Standard position is that CS should undertake all 5 year fire safety risk assessments for all locations unless specifically instructed otherwise by PM&amp;D (following their appraisal of any lease or management agreements that may be pertinent).</li> <li>Where an external organisation is responsible for fire safety assessments (both 5 year and annual) CS will monitor that these have been undertaken, obtain copies and ensure these meet out standards.</li> <li>CS will continue to monitor and check annual updates are undertaken by responsible persons at individual properties unless directed otherwise by PM&amp;D following appraisal of any lease or management agreements that may be pertinent.</li> <li>CS will continue to maintain and update compliance records relating to 5 year and annual FSRA's.</li> <li>PM&amp;D will review with service properties managed, occupied and owned by other organisations, responsibilities for fire safety and other compliance risk assessments and advise CS of any changes to standard position.</li> </ul>	Medium
			Responsible Officer
			Lesley McKinlay
			Risk Identifier
			SP005
			Action Date
			31/03/15

Ref	Findings & Risk	Action	Importance Level
3.5a	<p><b><u>Evacuation Report Sheet</u></b></p> <p>There was no evidence obtained from the following sites that an evacuation report had been completed and retained: (Whitrigg House and Letham House)</p> <p><b><u>Risk</u></b></p> <p>Risks associated with fire safety evacuation may not be identified.</p>	Correct forms have now been completed retrospectively for <b>Letham House</b> and <b>Whitrigg House</b> and will now be completed in future.	Medium
			Responsible Officer
			Kevin Heggie
			Risk Identifier
			SP005
			Action Date
			Done
Ref	Findings & Risk	Action	Importance Level
3.5b	<p><b><u>Evacuation Report Sheet</u></b></p> <p>There was no evidence obtained from the following sites that an evacuation report had been completed and retained: (Strathbrock Family Centre and Holmes Gardens)</p> <p><b><u>Risk</u></b></p> <p>Risks associated with fire safety evacuation may not be identified.</p>	This has now been rectified and evacuation sheet now available	Medium
			Responsible Officer
			Susan Stewart
			Risk Identifier
			SP005
			Action Date
			Done

Ref	Findings & Risk	Action	Importance Level
3.6	<p><b><u>Signage: Holmes Gardens</u></b></p> <p>The Housing with Care Manager advised that there was no assembly point sign for the car park which is used during an evacuation / fire drill, which has been reported to the property helpdesk.</p> <p>It was noted during a walkthrough of the ground floor of the premises that three fire exit lamps were not illuminated.</p> <p><b><u>Risk</u></b></p> <p>Evacuation of premises is not undertaken safely.</p>	<p>Manager has reported this to Bield Housing Association who are responsible for this. As yet this has not been actioned.</p> <p>All lighting in Development checked by Bield and Development staff and reported for repair. No onsite maintenance person to replace bulbs. It was confirmed by the manager that the lighting was repaired within a week.</p>	Medium
			Responsible Officer
			Susan Stewart / Sheree Young
			Risk Identifier
			SP005
			Action Date
			Done
Ref	Findings & Risk	Action	Importance Level
3.7a	<p><b><u>Responsibility for Action</u></b></p> <p>The FSRA assessment action plan for the following site did not name officers or service unit responsible for implementing actions:</p> <p><u>Five Year Assessment</u></p> <p>Whitdale Family Centre</p> <p><b><u>Risk</u></b></p> <p>Actions to mitigate fire risks are not completed timeously.</p>	<p>Information re action for <b>Whitdale Family Centre</b> passed to appropriate Group Manager Paula Huddart and Margo McCreight. We will ensure this is completed in future.</p>	Medium
			Responsible Officer
			Paula Huddart / Margo McCreight
			Risk Identifier
			SP005
			Action Date
			31/03/15

Ref	Findings & Risk	Action	Importance Level
3.7b	<p><b><u>Responsibility for Action</u></b></p> <p>The FSRA assessment action plan for the following site did not name officers or service unit responsible for implementing actions:</p> <p><u>Annual Assessments</u></p> <p>Jane Place</p> <p><b><u>Risk</u></b></p> <p>Actions to mitigate fire risks are not completed timeously.</p>	Responsible officer is Sheltered Housing Manager – Francis O'Donnell. Line manager to follow this up to ensure all actions are actioned. In future will ensure that officers responsible for action will be named on action plan.	Medium
			<b>Responsible Officer</b>
			<b>Susan Stewart</b>
			<b>Risk Identifier</b>
			<b>SP005</b>
			<b>Action Date</b>
			<b>11/09/14</b>



## DEFINITIONS OF AUDIT FINDINGS & AUDIT OPINION

### AUDIT FINDINGS

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

### AUDIT OPINION

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

Overall Opinion	Definition
<b>EFFECTIVE</b>	No findings ranked as 'High' importance. There may be a few 'Low' and 'Medium' ranked findings.
<b>SATISFACTORY</b>	No findings ranked as 'High' importance however there are a moderate number of 'Low' and 'Medium' ranked findings.
<b>REQUIRES IMPROVEMENT</b>	A few findings ranked as 'High' importance. There may also be a number of findings ranked as 'Low' and 'Medium' importance.
<b>UNSOUND</b>	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.

## SUMMARY OF ASSESSMENT ACTIONS MATCHED TO COVALENT

Location	Annual Assessment Date	No of Actions ranked as LOW	No of Actions ranked as MEDIUM	No of Actions ranked as HIGH	Total Actions Raised	Recorded in Covalent	5 Year Assessment Date	No of Actions ranked as LOW	No of Actions ranked as MEDIUM	No of Actions ranked as HIGH	Total Actions Raised	Recorded in Covalent
Ability Centre Carmondean, Livingston	07-10-13	1	0	0	1	Yes	18-10-12	2	2	2	6	N/a
Eliburn Support Services, Livingston	11-02-14	5	0	14	19	Yes	28-01-14	5	0	13	18	Yes
Bathgate Social Work Centre	27-02-13	0	0	5	5	No (see note)	09-09-13	22	0	0	22	Yes
Brucefield House, Whitburn	02-09-13	1	0	0	1	Yes	25-02-10	0	3	3	6	N/a
Burngrange Care Home, West Calder	20-03-14	0	0	0	0	N/a	18-08-09	6	6	2	14	N/a
Burnside Respite Centre, Uphall	28-08-13	0	0	1	1	Yes	19-09-12	11	2	6	19	N/a
Colinshiel Court, Armadale	31-01-14	0	0	0	0	N/a	29-04-14	0	0	0	0	N/a – no findings
Community Inclusion Team, Livingston	12-03-14	0	0	0	0	N/a	08-03-10	0	0	11	11	N/a
Cunnigar House, Mid Calder	09-09-13	0	1	0	1	Yes	15-09-10	Not ranked	Not ranked	Not ranked	18	N/a

Note: Construction Services have agreed to update Covalent with the risk assessment for Bathgate Social Work Centre.

Location	Annual Assessment Date	No of Actions ranked as LOW	No of Actions ranked as MEDIUM	No of Actions ranked as HIGH	Total Actions Raised	Recorded in Covalent	5 Year Assessment Date	No of Actions ranked as LOW	No of Actions ranked as MEDIUM	No of Actions ranked as HIGH	Total Actions Raised	Recorded in Covalent
Dickson Court, West Calder	24-04-14	0	0	0	0	N/a	06-10-11	3	1	0	4	N/a
Holmes Gardens, Broxburn	18-02-13	0	0	0	0	N/a	03-02-11	2	1	2	5	N/a
Jane Place, Bathgate	27-03-14	0	0	0	0	N/a	30-11-09	0	1	4	5	N/a
Letham YPC, Livingston	14-01-14	0	0	0	0	N/a	20-09-12	7	1	5	13	N/a
Norvell Lodge, Bathgate	26-09-13	0	0	0	0	N/a	27-09-12	8	1	11	20	N/a
"Pathways" Quigley House, Livingston	19-02-14	0	3	2	5	Yes	26-08-11	3	19	18	40	N/a
Rosemount Court, Bathgate	28-03-14	0	1	1	2	Yes	18-10-10	2	4	5	11	N/a
Strathbrock Family Unit, Broxburn.	27-01-14	0	2	0	2	Yes	18-08-10	0	0	0	0	N/a – no findings
Whitdale House, Whitburn	10-06-13	0	4	0	4	Yes	02-07-12	2	8	3	13	N/a
Whitdale Family Centre, Whitburn	30-05-12	0	0	0	0	N/a	15-12-08	0	0	2	2	N/a
Whitrigg House, East Whitburn	13-01-14	0	0	0	0	N/a	17-08-10	9	8	1	18	N/a

Annual assessment actions recorded in Covalent 9  
 Annual assessment actions not recorded in Covalent 1  
 No actions raised therefore nothing in Covalent (N/a) 10  
**TOTAL ASSESSMENTS 20**

5 Year assessment actions recorded in Covalent 2  
 5 Year assessment actions not recorded in Covalent 16  
 No actions raised therefore nothing in Covalent (N/a) 2  
**TOTAL ASSESSMENTS 20**

## HOUSING WITH CARE TENANCIES IN WEST LoTHIAN

LANDLORD	LOCATION
West Lothian Council	Norvell Lodge, Boghall, Bathgate
West Lothian Council	Cunnigar House, Mid Calder
Bield Housing Association	Almondvale Gardens, Blackburn
Bield Housing Association	Holmes Gardens, Broxburn
Bield Housing Association	Dickson Court, West Calder
Dunedin Canmore Housing Association	Brucefield House, Whitburn
Hanover (Scotland) Housing Association	Colinshiel Court, Armadale



## **AUDIT AND GOVERNANCE COMMITTEE**

### **REPORT TO MEMBERS AND THE CONTROLLER OF AUDIT ON THE 2013/14 AUDIT**

#### **REPORT BY HEAD OF FINANCE AND ESTATES**

##### **A. PURPOSE OF REPORT**

To advise the Audit and Governance Committee of the outcome of the 2013/14 audit and to provide a summary of the key points arising from the Auditor's Report.

##### **B. RECOMMENDATION**

It is recommended that the Audit and Governance Committee notes the Auditor's 2013/14 Audit Report.

##### **C. SUMMARY OF IMPLICATIONS**

<b>I</b>	<b>Council Values</b>	Being honest, open and accountable, making best use of resources.
<b>II</b>	<b>Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	In accordance with the Local Government (Scotland) Act 1973, the Auditor's Report was presented to Council on 14 October 2014.
<b>III</b>	<b>Implications for Scheme of Delegation to Officers</b>	None
<b>IV</b>	<b>Impact on performance and performance indicators</b>	None
<b>V</b>	<b>Relevance to Single Outcome Agreement</b>	None
<b>VI</b>	<b>Resources – (Financial, Staffing and Property)</b>	There are no resource issues that require to be drawn to the Committee's attention.
<b>VII</b>	<b>Consideration at PDSP</b>	Not applicable.
<b>VIII</b>	<b>Other Consultations</b>	Consultation with appropriate council officers.

## **D. TERMS OF REPORT**

### **Introduction**

The report by Audit Scotland on the 2013/14 audit is addressed to Members of the Council, is simultaneously forwarded to the Controller of Audit and forms part of the audit process. The Auditor's report covers the financial statements, financial position, governance and accountability and Best Value, use of resources and performance. This mirrors Audit Scotland's approach to local authority audits, which concentrates on the key risks and priorities facing organisations they audit.

The unaudited Statement of Accounts for the year ended 31 March 2014 was submitted to the Controller of Audit on 23 June 2014, in advance of the statutory deadline of 30 June. These Accounts were the subject of a report to the Council Executive on 19 June 2014. The external audit of the Accounts and the signing of the Independent Auditor's Report were completed by the target date of 30 September 2014. I can report that there were no changes to the figures reported to the Council Executive on 19 June 2014.

### **Key Messages in the Audit Scotland Report**

The key messages section outlines the Auditor's conclusions on key outcomes from the 2013/14 audit and the outlook for future audits as follows:

- There is an unqualified opinion on the financial statements;
- The council has sound governance arrangements in place, systems of internal control operated effectively, the council has an effective internal audit function and sound anti-fraud arrangements;
- Financial management remains strong with a robust budget setting process in place and during 2013/14 there was a £3.569 million (1%) underspend against service budgets;
- The Auditor notes that the General Fund balance has reduced by £2.641 million to £22.571 million and, at 31 March 2014, the uncommitted General Fund balance was £2 million;
- Performance has remained high in 2013/14. The auditor notes that the council has a well-developed framework in place for monitoring and reporting performance against strategic priorities.

On the outlook for the future the Auditor highlights that local authorities face rising demands for services and continued funding pressures alongside managing major changes in welfare and health and social care. Effective partnership working will be essential to make the best use of available resources as well as continued strong governance and leadership.

The main body of the report is divided into sections - Financial Statements, Financial Position, Governance and Accountability and Best Value, use of resources and performance - which reflect the public sector audit model.

### **Financial Statements**

There are no qualifications to the Independent Auditor's Report in relation to the council's Accounts. This has been achieved each year since 1996/97 and represents a significant achievement for the council.

The report comments on issues identified during the financial statements audit, in particular the accounting treatment required to recognise the decrease in value of the Economic Property Development Assets of £6.382 million in 2012/13, which resulted in a failure of the significant trading operation to break even over the three year period to 2013/14. This is a technical accounting matter only and the Economic Property Development assets promote economic development and generate a significant operating surplus each year.

The auditor has also given an unqualified audit opinion on the 2013/14 financial statements of those charities registered by the council and audited under the provisions of The Charities Accounts (Scotland) Regulations 2006.

### **Financial Position**

The report highlights the operating performance in 2013/14, the reserves and balances held by the council and the capital investment and performance.

It is suggested that the council's treasury strategy be kept under review to ensure that it continues to represent best value. The report notes that the council has continued to defer utilising its capital fund in order to take advantage of low external borrowing rates. The report states that this puts the council in a favourable position of being able to reduce future borrowing levels in response to any future interest rate rises.

The Auditor has commented that Audit Scotland have recently undertaken a national review of borrowing and treasury management in councils. West Lothian Council was part of the review and a national report is planned for publication in January 2015.

Turning to the financial outlook, the report notes that West Lothian Council has identified a potential budget shortfall of around £30.4 million for the three year period 2015/16 to 2017/18. The report points out that the council will continue to operate in a funding environment which is subject to sustained pressure to deliver more with less. Continuing to deliver vital public services with a reducing budget will remain a significant challenge for the council.

The report acknowledges that the shortfall is based on assumptions and projections that may fluctuate as events unfold over the period 2015/16 to 2017/18 or if planned efficiencies are not achieved.

### **Governance and accountability**

The Auditor notes that the council had adequate systems of internal control in place during 2013/14.

The review of Internal Audit concluded that the internal audit service operates in accordance with the Public Sector Internal Audit Standards and has sound documentation standards and reporting procedures in place.

The report notes that the council successfully achieved Public Sector Network (PSN) accreditation on 22 August 2014 for the coming year.

The auditor notes that arrangements for maintaining standards of conduct and the prevention and detection of corruption are satisfactory.

The Auditor notes that the council's arrangements are satisfactory in relation to the prevention and detection of fraud and that satisfactory arrangements are in place for investigating and reporting data matches identified by the National Fraud Initiative (NFI).

The auditor notes that the Public Bodies (Joint Working) (Scotland) Act received royal assent on 1 April 2014 and provides a framework for the integration of health and social care services in Scotland.

In relation to Welfare Reform, the report recognises the council's campaign to reduce rent arrears through a high profile media campaign. The report also acknowledges the adoption of a simple application process for the Discretionary Housing Payment (DHP) process and that this has resulted in 99% of those affected by the size criteria restrictions in West Lothian being awarded DHP for 2014/15.

The report notes that West Lothian Council's benefits service has been selected by Audit Scotland for a benefits performance audit follow-up risk assessment in 2014/15 to review risks identified and to ensure no additional material risks have arisen since the last assessment.

In terms of the governance outlook, the Auditor notes that the council will continue to face rising demands for services alongside managing major changes in welfare and social care. He states that there is now a greater need than ever for strong governance and leadership.

### **Best Value, Use of Resources and Performance**

The Auditor recognises the continuous improvement being made by the council and notes that there are currently no plans for a Best Value review of West Lothian Council over the period 2014/15 to 2016/17. The report also cites that the Council has robust self-evaluation arrangements in place.

The report notes that the council has led development work, with scrutiny partners, on how audit and inspection can support the delivery of better outcomes by Community Planning Partnerships (CPPs). West Lothian Council was selected to receive a CPP audit during 2013/14 with the final report due to be published in October 2014.

## **E. CONCLUSION**

The Auditor has concluded that, in common with other councils, West Lothian faces the key challenges of reducing budgets, an ageing population with higher levels of need and the public expectation of high quality services. The Auditor notes that as choices on how to address funding gaps become increasingly difficult, councils will have to focus on making the very best use of all available resources and to challenge existing ways of doing things. He considers a strong and effective performance management framework will be critical to the success of the council achieving its key priorities.

## **F. BACKGROUND REFERENCES**

2013/14 Audited Statement of Accounts for West Lothian Council  
Audit Scotland - Annual Report on the 2013/14 Audit

Appendices/Attachments: Audit Scotland - Annual Report on the 2013/14 Audit

Contact Person: [donald.forrest@westlothian.gov.uk](mailto:donald.forrest@westlothian.gov.uk) - Tel No. 01506 281294

**Donald Forrest**  
**Head of Finance and Estates**  
Date: 1 December 2014





## **West Lothian Council**

### **Annual report on the 2013/14 audit**

Prepared for the members of West Lothian  
Council and the Controller of Audit

October 2014



# Contents

Key messages .....	3
Introduction .....	7
Financial statements .....	9
Financial position .....	15
Governance and accountability .....	21
Best value, use of resources and performance .....	28
Appendix I – Summary of West Lothian Council local audit reports 2013/14.....	35
Appendix II – Summary of Audit Scotland national reports 2013/14 .....	36
Appendix III – Significant audit risks.....	37
Appendix IV – Action plan .....	39

## Key contacts

David McConnell, Assistant Director

[dmcconnell@audit-scotland.gov.uk](mailto:dmcconnell@audit-scotland.gov.uk)

Peter Lindsay, Audit Manager

[plindsay@audit-scotland.gov.uk](mailto:plindsay@audit-scotland.gov.uk)

Inire Evong, Senior Auditor

[ievong@audit-scotland.gov.uk](mailto:ievong@audit-scotland.gov.uk)

Audit Scotland  
4<sup>th</sup> floor (South Suite)  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Telephone: 0845 146 1010

Website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

## Key messages

### Financial statements

- Unqualified auditor's report on the 2013/14 financial statements.

### Financial position

- An underspend of £3.569 million (1%) against service budgets.
- Usable reserves have increased by £1.953 million to £114.698 million
- The General Fund balance has reduced by £2.641 million to £22.571 million, of which £2 million is unallocated.
- Financial management remains strong with a robust budget setting process in place.

### Governance & accountability

- The Council had sound governance arrangements in place.
- Systems of internal control operated effectively.
- The Council has an effective internal audit function and sound anti-fraud arrangements.

### Best Value, use of resources & performance

- The Council has a well developed framework in place for monitoring and reporting performance against strategic priorities.
- In 2013/14 the Council met 94% of its performance targets.

### Outlook

- Councils face rising demands for services and continued funding pressures alongside managing major reforms in welfare and health and social care. Effective partnership working will be essential to make the best use of available resources as well as continued strong governance and leadership.

### Financial Statements

1. We have given an unqualified audit opinion that the financial statements of West Lothian Council for 2013/14 give a true and fair view of the state of the affairs of the council and its group as at 31 March 2014 and of the income and expenditure for the year then ended. We have, however, drawn attention in our audit report to the fact that the Council's significant trading operation, Economic Development Properties, has failed to break even, on a cumulative basis, over the three year period ending 31 March 2014.
2. We have also given an unqualified audit opinion on the 2013/14 financial statements of those charities registered by West Lothian Council and audited under the provisions of The Charities Accounts (Scotland) Regulations 2006 (the 2006 Regulations).
3. As recorded in the 2013/14 comprehensive income and expenditure statement, the Council spent £609.632 million on the provision of public services, resulting in an accounting deficit of £44.750 million. However, this includes certain elements of income and expenditure that are accounted for to comply with the Code of Practice on Local Authority Accounting, which are then adjusted to show their impact on statutory council reserves. When these adjustments are applied the general fund shows a decrease of £2.641 million.

### Financial position

4. The Council's general fund recorded an underspend of £3.569 million against service budgets in the year, representing 1% of net service expenditure. This was mainly due to reduced winter maintenance costs as a result of a mild winter, slippage in time-limited investment and additional funding from the Scottish Government which has been carried forward to 2014/15.
5. The Council's financial management arrangements remain strong with close budget monitoring and regular reporting to members.
6. The closing balance at the year end on usable reserves was £114.698 million representing a net increase of £1.953 million from 2012/13.
7. The net movement in the general fund for 2013/14 was £2.641 million, reducing the fund balance to £22.571 million as at 31 March 2014. This balance is made up of earmarked commitments of £20.571 million and an uncommitted balance of £2 million, which is the Council's approved minimum uncommitted general fund balance.
8. The Council's 2014/15 revenue budget identified a funding gap of £7.155 million and savings proposals were approved by Council in January 2014 to address this funding gap. The Council's Corporate Management Team (CMT), chaired by the Chief Executive, oversees the delivery of these efficiency

## Key Messages

savings.

### Governance and accountability

9. In 2013/14, the Council had sound governance arrangements which included a number of standing committees overseeing key aspects of governance. The Council had an effective internal audit function and systems of internal control.
10. Integration of adult health and social care is a key challenge for all local authorities. The Council is working with NHS Lothian to produce an integration scheme for the West Lothian Health and Social Care Integration Joint Board for submission to the Scottish Government for approval by 1 April 2015.

### Best Value, use of resources and performance

11. The Council has robust performance monitoring and self-evaluation arrangements in place. They include the West Lothian Assessment Model (WLAM), which is a corporate tool for self assessment and has been adopted by a number of councils. Overall performance has remained high with 94% of the Council's indicators being achieved with strong performance across all objectives.
12. The Council was selected as one of a number of councils to receive a Community Planning Partnership (CPP) audit in 2013/14. The audit commenced in October 2013 and the fieldwork was completed in June 2014. The final report was

discussed at a meeting of the Accounts Commission in September 2014 and will be published in October 2014.

### Outlook

13. Demands on services and resources continue to increase and these need to be managed alongside major reforms in the welfare system and health and social care. This underlines the need for strong governance, leadership and decision making based on good cost and performance information. Effective working with partners will be required to make the best use of available resources as well as innovation and vision to design and deliver the services needed to serve the future needs of citizens.
14. The Council's Revenue Budget Strategy for the three year period 2015/16 to 2017/18, identifies a potential funding gap of approximately £30.4 million, and the Council will face challenges in focussing resources towards service delivery priorities. The results of the Council's 2012 "Delivering Better Outcomes" consultation with members of the public, employees and key stakeholders have been used by officers to develop potential measures for the three years 2015/16 to 2017/18. Further consultation is being undertaken with stakeholders on the 2015/16 to 2017/18 budget measures in October and November 2014.
15. The public reform agenda, particularly Welfare Reform, is resulting in the most significant changes in the UK welfare

## Key Messages

system for decades. There are early indications that welfare reform is resulting in increased rent arrears in the Council area, although the Council is working proactively to manage and reduce rent arrears. Research groups such as the Rowntree Foundation are also warning of increasing poverty and homelessness amongst the poorer sections of society.

# Introduction

---

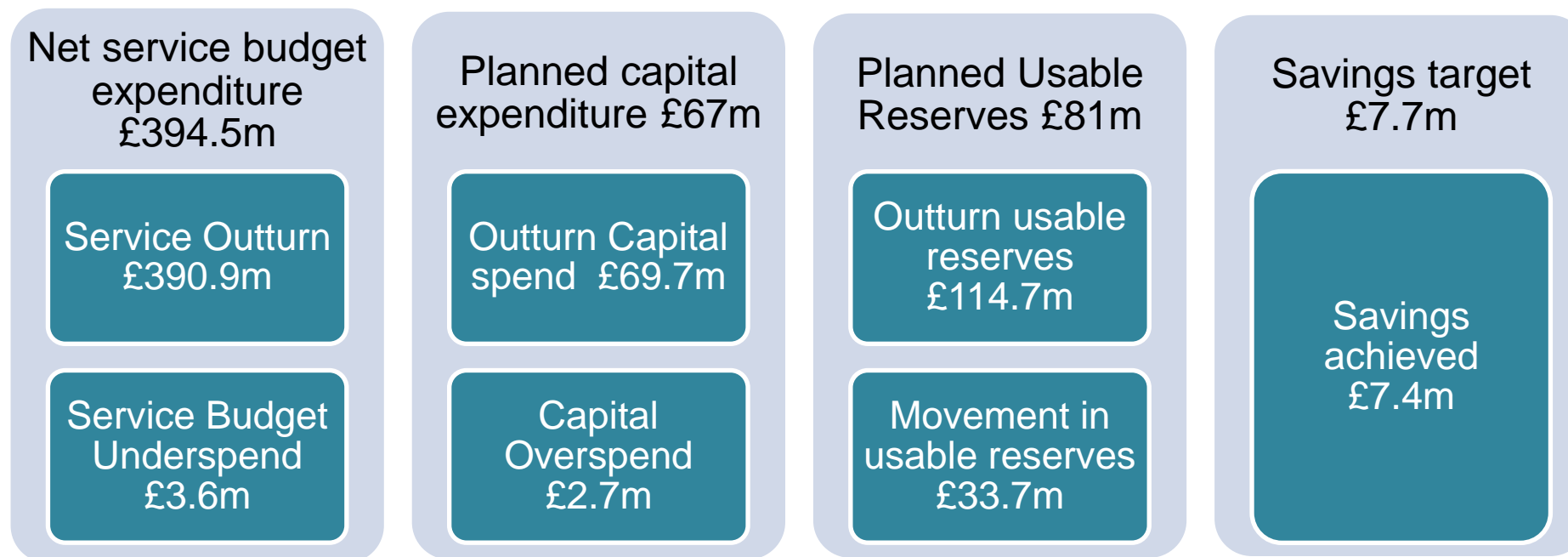
16. This report is a summary of our findings arising from the 2013/14 audit of West Lothian Council. The purpose of the annual audit report is to summarise the auditor's opinions and conclusions, and to report any significant issues arising from the audit. The report is divided into sections which reflect our public sector audit model.
17. Our responsibility, as the external auditor of West Lothian Council, is to undertake our audit in accordance with International Standards on Auditing (UK and Ireland) and the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011.
18. The management of West Lothian Council is responsible for:
  - preparing financial statements which give a true and fair view
  - implementing appropriate internal control systems
  - putting in place proper arrangements for the conduct of its affairs
  - ensuring that the financial position is soundly based.
19. This report is addressed to the members of West Lothian Council and the Controller of Audit and should form the basis of discussions with the Audit and Governance Committee as soon as possible after it has been issued. Reports should be made available to stakeholders and the public, as audit is an essential element of accountability and the process of public reporting.
20. This report will be published on our website after it has been considered by the Council. The information in this report may be used for the Account's Commission's annual overview report on local authority audits. The overview report is published and presented to the Local Government and Regeneration Committee of the Scottish Parliament.
21. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports, shown at Appendices I and II, include recommendations for improvements. We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of West Lothian Council.
22. The concept of audit risk is of key importance to the audit process. During the planning stage of our audit we identified a number of key audit risks which involved the highest level of judgement and impact on the financial statements. We set out in our annual audit plan the related source of assurances and the audit work we proposed to undertake to secure appropriate levels of assurance. Appendix III sets out the significant audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.

## Introduction

- 23. Appendix IV is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response".
- 24. We recognise that not all risks can be eliminated or even minimised. What is important is that West Lothian Council understands its risks and has arrangements in place to manage these risks. The Council and the Proper Officer should ensure that they are satisfied with proposed management action and have a mechanism in place to assess progress and monitor outcomes.
- 25. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
- 26. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.



## Financial statements



### Audit opinion

27. We have given an unqualified opinion that the financial statements of West Lothian Council for 2013/14 give a true and fair view of the state of the affairs of the Council and its group as at 31 March 2014 and of the income and expenditure for the year then ended.

28. We have, however, drawn attention in our audit report to the fact that the Council's significant trading operation, Economic Development Properties, has failed to break even, on a cumulative basis, over the three year period ending 31 March 2014. This was due to the requirement to recognise decreases in property asset valuations of £6.382 million in the 2012/13 financial statements. If the downward revaluations had not

## Financial statements

occurred, the significant trading operation would have achieved the statutory breakeven requirement. Whilst this is a failure to comply with the Local Government in Scotland Act 2003, it does not result in a qualification of the opinion on the financial statements.

## Other information published with the financial statements

29. Auditors review and report on other information published with the financial statements, including the explanatory foreword, annual governance statement and the remuneration report. We have nothing to report in respect of these statements.

## Legality

30. Through our planned audit work we consider the legality of the Council's financial transactions. This includes obtaining written assurances from the Proper Officer. There are no legality issues arising from our audit which require to be reported.

## The audit of charities financial statements

31. The Charities Accounts (Scotland) Regulations 2006 (the 2006 Regulations) sets out the accounting and auditing rules for Scottish charities. These required, for the first time in 2013/14, a full audit of all registered charities accounts where a local

authority or some members are the sole trustees.

32. West Lothian Council had 8 funds which were subject to the full charities financial statements audit for 2013/14.
33. Auditors of registered charities' statement of accounts have responsibilities to
- audit and express an opinion on whether the charity's financial statements give a true and fair view and are properly prepared in accordance with charities legislation
  - read the trustees' annual report and express an opinion as to whether it is consistent with the financial statements
  - report on other matters by exception to the trustees and to the Office of the Scottish Charity Regulator (OSCR).
34. We have given an unqualified opinion on these matters with respect to the 2013/14 financial statements of the relevant charities registered by West Lothian Council.

## Group accounts

35. Local authorities are required to prepare group accounts in addition to their own council's accounts where they have a material interest in other organisations.
36. West Lothian Council has accounted for the financial results of two associates (West Lothian Leisure Ltd and Lothian Valuation Joint Board) and a joint venture (West Lothian Recycling Ltd) in its group accounts for 2013/14. The overall

## Financial statements

effect of consolidating these balances on the group balance sheet is to reduce total reserves and net assets by £1.158 million.

37. The net assets of the group at 31 March 2014 totalled £658 million, compared to a net asset position of £259 million in 2012/13. The positive movement in the closing net worth balance is mainly due to the transfer of Police and Fire functions to the new authorities from 1 April 2013 and the removal of the pension liabilities of Police and Fire from the group accounts.

## Accounting issues arising

### *Presentational and monetary adjustments*

38. A number of presentational and monetary adjustments were identified in the financial statements during the course of our audit. These were discussed with management who agreed to amend the unaudited financial statements. As is normal practice, the effect of the monetary adjustments were reported to the Head of Finance and Estates and included in our *ISA 260 – Report to those charged with governance on the 2013/14 audit* submitted to the Audit and Governance Committee on 29 September 2014. As a result there were no unadjusted misstatements requiring to be brought to the attention of the Audit and Governance Committee.

## *Whole of government accounts*

39. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. The Council submitted the consolidation pack for audit by the deadline. We anticipate having the consolidated pack audited and submitted before the deadline of 17 October 2014.

## *Prior year restatements*

40. During 2012/13 finance staff undertook a comprehensive review of the Council's Service Reporting Code of Practice (SeRCOP) analysis which led to the removal of internal recharging amounts from 2011/12 gross income and expenditure to ensure compliance with revised Scottish Government (SG) guidance and avoid overstatement of both income and expenditure. Similarly, during 2013/14 finance staff undertook a further and final review which led to the removal of internal recharging amounts totalling £2.659 million from 2012/13 gross income and expenditure. As both income and expenditure have reduced by the same amount, there has been no impact on the 2012/13 Net Cost of General Fund Services reported in the Comprehensive Income and Expenditure Statement.
41. We are of the view that the Council has been proactive in responding to the revised SG guidance and has made

## Financial statements

appropriate disclosures within the financial statements which reflect the outcome of the review carried out by finance staff.

42. International Accounting Standard 19 (IAS19) – Employee Benefits was amended in June 2011 and as a result, relevant pension figures disclosed in the 2012/13 statement of accounts have been restated in the 2013/14 statement of accounts. The change is of a technical accounting nature and there has been no change in the level of usable financial reserves of the Council.

### *Pension costs*

43. West Lothian Council is a member of Lothian Pension Fund which is a multi-employer defined benefit scheme. In accordance with pensions accounting standard IAS19, the Council has recognised its share of the net liabilities for the pension fund in the balance sheet. The valuation at 31 March 2014 provided by the scheme's actuaries increased the council's share of those net liabilities from £164.5 million last year to £195.6 million this year, reflecting general unfavourable movements in investment markets.
44. However, it is important to note that this additional liability does not have any immediate impact on the Council's financing requirements. The Council will continue to make annual contributions to the Pension Fund, through employer contributions, in accordance with triennial valuations carried

out by the actuaries.

### *Carbon trading*

45. In April 2010 a complex system of charging for carbon emissions was introduced by the EU. The Council is now required to purchase and account for carbon credits to cover all of its non transport related energy usage. Incentives and penalties are built into the system to encourage a reduction in carbon emissions. The Council has a Carbon Management Board with a Carbon Reduction Commitment (CRC) sub-group where energy issues are discussed and performance against the energy consumption performance indicator is monitored. A carbon management plan has also been prepared.
46. The 2013/14 provision was calculated as £0.365 million (£0.415 million in 2012/13) based on a baseline annual carbon footprint of 27,503 tonnes CO<sub>2</sub> (34,599 tonnes in 2012/13).

### *Asset decommissioning costs*

47. In April 2013, Scottish Coal Company Limited (SCCL) which operated a number of open cast mine sites across Scotland went into liquidation. On 11 July 2013, the Court of Session in Edinburgh ruled that the liquidated company could abandon the sites and therefore was not liable for the cost of restoring these sites to their original condition. As a result of this ruling, potential costs may eventually fall to the relevant public sector bodies.

48. West Lothian Council have confirmed that two private limited companies operate under licences within the West Lothian boundary in relation to quarry sites. The land being quarried is not owned by the Council and it has no property interest in it. We have confirmed that West Lothian Council requires developers in various situations to obtain performance, restoration or guarantee bonds which are regularly monitored to ensure they are appropriate. We would therefore encourage the Council to continue to review these methods of securing performance and restoration in light of the recent Court of Session decision. We note that the current Rusha Farm Quarry restoration bond will expire on the 4 January 2015. The legal agreement required the site owner and insurer to agree a replacement bond by 4 October 2014. We note that a replacement bond was agreed before the 4 October 2014 deadline.

## Report to those charged with governance

49. We presented to the Audit and Governance Committee, on 29 September 2014, our report to those charged with governance (ISA 260). The primary purpose of that report is to communicate the significant findings arising from our audit prior to finalisation of the independent auditor's report. The main points are set out in the following paragraphs.
50. **Equal Pay:** During 2013/14 the Council had provisions of £1.468 million to meet the liability arising from equal pay

compensation claims. As payments totalling £0.213 million were made to claimants during 2013/14, the Council disclosed a provision of £1.255 million in respect of equal pay compensation claims outstanding at 31 March 2014. The Council is currently in discussion with claimants' representatives to establish settlement terms for claims outstanding at 31 March 2014. The Council has also disclosed an unquantified contingent liability in the financial statements in respect of future unknown equal pay claims.

51. **Holiday Pay Liability:** During periods of annual leave employees receive their basic contractual pay which is common practice across all Scottish councils, which means that any non-contractual additional payments, e.g. shift allowances, are not reflected in the rate of pay the employee receives while on annual leave. A decision by the European Court of Justice in May 2014 under the Working Time Directive 2003/88/EC has held that holiday pay should be the normal remuneration received by the employee and the matter is currently under consideration by the employment tribunal system. This matter is also currently subject to discussion at the Convention of Scottish Local Authorities (COSLA), and will be considered by the Council when further information is received from COSLA. No payments have been made by the Council in 2014/15 in relation to this issue. The Council has disclosed an unquantified contingent liability in the financial statements in respect of the decision by the European Court of Justice as it is unable to quantify the financial liability until

further guidance is received.

### Outlook

52. The financial statements of the council are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The main new standards adopted in 2014/15 include :

- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosures of interests in other entities
- IAS 28 Investments in associates and joint ventures.

53. These standards affect the group financial statements and include a change to the definition of control. This is likely to require a reassessment of the group boundary and potentially further consolidations and disclosures.

54. The revised Local Authority Accounts (Scotland) Regulations 2014 apply for financial years 2014/15 onwards. The regulations set out in more detail what is required in respect of financial management and internal control, and in respect of the annual accounts themselves. Some of the changes include the requirement for the unaudited accounts to be considered

by the Audit and Governance Committee. This can take place following submission to the auditor and up to 31 August if necessary. In addition the audited accounts must be considered and approved for signature by the Audit and Governance Committee by 30 September with publication on the Council's website by 31 October.

55. Highways assets are currently carried within infrastructure assets in the balance sheet at depreciated historic cost. The 2016/17 Code requires highways to be measured for the first time on a depreciated replacement cost basis. This represents a change in accounting policy from 1 April 2016 which will require a revised opening balance sheet as at 1 April 2015 and comparative information in respect of 2015/16. This is a major change in the valuation basis for highways and will require the availability of complete and accurate management information on highway assets. The Council should ensure it is planning ahead to allow full compliance with the Code.

## Financial position

56. The council reported a deficit of £44.750 million on the provision of services in 2013/14. Adjusting this balance to remove the accounting entries required by the Code produces the revised position showing that the Council decreased its general fund balance by £2.641 million.
57. The 2013/14 outturn report shows that net service expenditure across the Council was £390.975 million, representing an underspend of £3.569 million (1%) against the budget. Key factors contributing to the overall underspend were as follows:
- Additional funding of £2.075 million was received from the Scottish Government in March 2014 to fund investment linked to employability and economic regeneration which has been carried forward to 2014/15.
  - An underspend in time limited investment of £0.7 million which has been carried forward for spend to be incurred in 2014/15.
  - Due to the very mild winter, there was an underspend of £0.5 million in relation to one off savings in the winter maintenance budget which has been added to the winter emergency fund.
58. Usable reserves are part of a council's strategic financial management and councils will often have target levels of

reserves. As shown in Exhibit 1, the overall level of usable reserves held by the Council increased by £1.953 million compared to the previous year and totalled £114.698 million.

### Exhibit 1: Usable reserves

Description	31 March 2013	31 March 2014
	£ million	£million
General Fund	25.212	22.571
Capital Fund	74.338	79.008
Housing Revenue Account	0.926	0.926
Insurance Fund	12.269	12.193
<b>Total Usable Reserves</b>	<b>112.745</b>	<b>114.698</b>

*Source: West Lothian Council 2013/14 financial statements*

59. From an analysis of Scottish councils' unaudited 2013/14 accounts, over half of all councils utilised reserves brought forward, with around half of all councils ending 2013/14 with lower levels of reserves than they had at the start of 2012/13. This was in part due to the retention of certain reserves associated with police and fire joint boards and the consequent reduction in general revenue grant from the Scottish

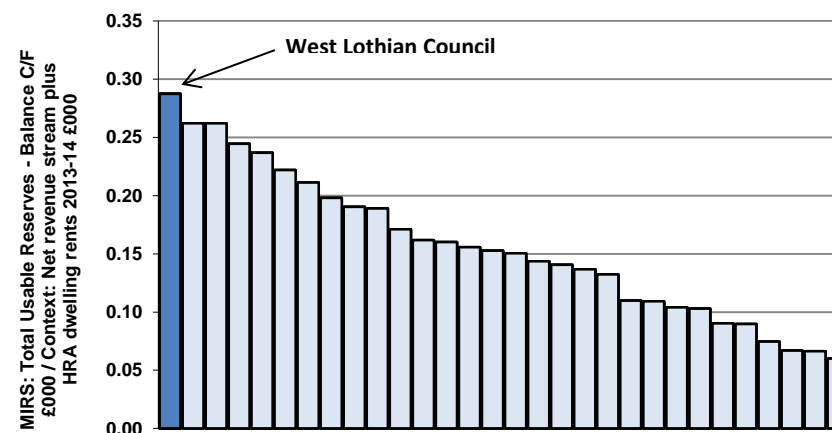


## Financial position

Government in 2013/14.

60. The Council has continued to defer utilising its capital fund, in order to take advantage of low external borrowing rates (see Treasury Management section below). Although the 2013/14 general services capital programme was partially funded by the capital fund, the Council's capital fund continues to be one of the highest in Scotland and should be kept under review to ensure that the use of external borrowing continues to provide best value in the funding of capital projects.
61. Exhibit 2 below presents the Council's usable reserves position in relation to net revenue stream for the year in comparison to other Scottish councils (net revenue stream being defined as general revenue grant, council tax, non domestic rates and dwelling rents). As indicated, the Council position is higher than the median level of around 15% and demonstrates the Council's stable overall financial position, including a substantial capital fund. The retention of a large capital fund, while borrowing to meet capital expenditure, should be closely monitored to confirm that it provides best value for the Council.

**Exhibit 2: Total Usable Reserves as a proportion of net revenue stream**



Source : Scottish councils' unaudited accounts 2013/14

62. The general fund balance reduced by £2.641 million during the year. The closing balance at 31 March 2014 is made up of earmarked commitments of £20.571 million and an uncommitted balance of £2 million. This position is in line with the Council's policy which is to maintain a minimum uncommitted general fund balance of £2 million.
63. Earmarked balances represent 91.1% (2012/13: 92.1%) of the general fund balance. These commitments on the fund mainly comprise amounts designated to meet costs associated with modernisation (£4.371 million) and specific time-limited



## Financial position

development projects (£10.236 million). The Council has, however, been able to maintain its balance of uncommitted funds at a stable level over recent years despite the financial challenges being faced.

### Capital investment and performance 2013/14

64. Total capital expenditure for 2013/14 was £69.702 million, split between the housing programme and the general services programmes:
- The housing programme final outturn of £31.841 million includes new council house building of £11.469 million and works undertaken to meet the Scottish Housing Quality Standard (SHQS) of £11.656 million. The overall outturn position was an accelerated spend of £0.415 million due to accelerated energy efficiency work.
  - The general services programme final outturn of £37.861 million includes investment on property assets, open space, roads and related assets and ICT projects. There was a variance of £2.281 million overall, due to accelerated spend on projects from future years.
65. The capital programme was funded as shown at Exhibit 3 below :

**Exhibit 3: Sources of finance for capital expenditure  
2010/11 – 2013/14**

Description	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m
Capital receipts from asset sales	4.185	5.084	5.982	5.397
Capital financed from current revenue	10.553	14.737	13.487	13.101
Capital grants received	9.103	22.017	15.735	12.620
Other capital contributions received	3.269	3.618	2.520	3.214
Borrowing from loans fund	39.881	31.803	34.640	35.370
Transfer from repair and renewal fund	-	0.066	-	-
Total	66.991	77.325	72.364	69.702

*Source: West Lothian Council financial statements 2010/11 to 2013/14*

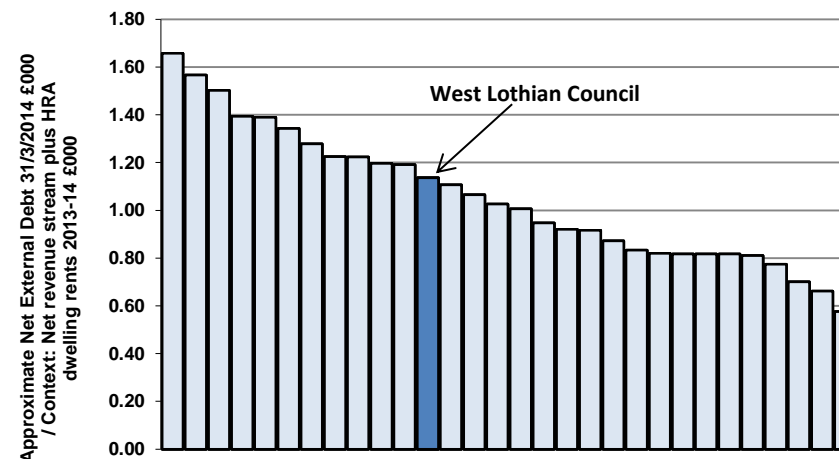
66. The Council has reported an overspend (accelerated spend) against the planned level of capital expenditure of £2.696

million or 4% of the total programme for 2013/14.

### Treasury Management

67. High levels of debt may reduce a council's budget flexibility going forward as revenue resource has to be set-a-side to service that debt. The impact that debt levels have on net revenue expenditure will be affected by interest rates and repayment periods.
68. In the current financial climate, many councils have relatively high levels of internal borrowing, utilising available cash balances and deferring external borrowing. West Lothian Council's underlying need to borrow or capital financing requirement (CFR) at 31 March 2014 was £588 million while net external borrowing was £135 million lower at £453 million.
69. As shown at Exhibit 3, capital spend in the year was mainly funded through borrowing. The Council's level of net borrowing in 2013/14 has increased marginally. Exhibit 4 below shows the Council to be reasonably representative of councils nationally. Given the level of capital fund being carried forward, the Council is in a favourable position of being able to reduce future borrowing levels in response to any future interest rate rises.

**Exhibit 4 : Net external debt as a proportion of net revenue stream**



Source : Scottish councils' unaudited accounts 2013/14

70. The current economic climate means that interest rates on borrowings continue to be low. The Council's borrowings strategy is based on base rates remaining unchanged through to March 2015. Advice received by the Council is that Public Works Loan Board (PWLb) rates will rise over the longer term, therefore confirming that best value for the Council is achieved by external borrowing for short term capital requirements, taking advantage of low rates, and enabling the capital fund to be maintained at its current level for use in future years when rates eventually rise.

## Financial position

71. The Council are therefore continuing with a policy of incurring interest costs on additional borrowing in the short term, to enable them to make savings on future borrowing requirements. The Council have received professional advice on their treasury management strategy from its treasury advisors, Sector, who have agreed that this is a sound financial approach, based on latest available estimates for the timing of interest rate rises. This should be kept under review to ensure that it continues to represent best value.

### Refer Action Plan Point 1

72. The Council's level of borrowing in 2013/14 has increased by £21 million and at 31 March 2014 the Council had total borrowings of £499.6 million (2011/12 £478.391 million), of which 99% is at a fixed rate of interest and is repayable over the long term.
73. Audit Scotland has, on behalf of the Accounts Commission, recently undertaken a national review of borrowing and treasury management in councils. This involved discussions with members and officers as well as audit visits to a number of selected fieldwork councils, including West Lothian Council. The review focused on the affordability and sustainability of borrowing and governance arrangements and considered how councils demonstrate best value in their treasury management functions. The national report is planned for publication in January 2015.

## Outlook

74. In December 2013 the Council approved its budget for 2014/15. The net revenue expenditure budget set for 2014/15 is £375.040 million and represents an increase of 3.5% on that set for 2013/14 (£362.185 million).
75. In September 2014, a 2014/15 revenue budget monitoring report to the Council Executive from the Head of Finance and Estates provided an update on the financial position to July 2014. Although the report is forecasting a breakeven position for 2014/15, the report highlights significant cost pressures in relation to elderly care at home costs and staffing costs within Council care homes. These cost pressures are currently being met from savings elsewhere in the budget but will be closely monitored during 2014/15 and options identified to manage these cost pressures on a sustainable basis.
76. The 2014/15 revenue budget monitoring report also provided an update on the progress of 2014/15 efficiency savings projects and highlighted that £6.618 million (92%) of the efficiency savings required in 2014/15 of £7.176 million had been achieved or would be achieved with no issues anticipated. £0.523 million of the remaining required efficiency savings has been assessed as achievable with further ongoing review being required to ensure they are delivered.
77. The Council's CMT, which is chaired by the Chief Executive, has a remit to control delivery of each of the efficiency savings

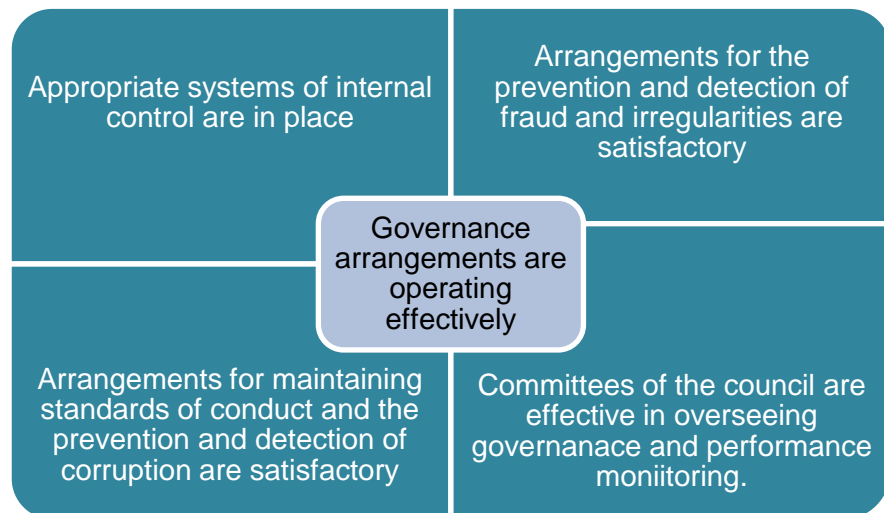
## Financial position

for 2014/15 (see Local Performance Reporting section).

78. The Council will continue to operate in a funding environment which is subject to sustained pressure to deliver more with less. The level of flexibility within expenditure budgets is considerably reduced by the release of cost savings in previous years. Continuing to deliver vital public services with a reducing budget will remain a significant challenge for the Council.
79. In June 2014, a report to the Council Executive from the Head of Finance and Estates provided an update in relation to the revenue budget strategy for 2015/16 to 2017/18. The report identified a potential budget shortfall of £30.4 million for the three year period 2015/16 to 2017/18 allowing officers to develop budget reduction measures to address the forecast gap and to undertake further budget engagement with stakeholders. Whilst we acknowledge the good practice followed to identify the budget shortfall, the shortfall is based on assumptions and projections that may fluctuate, perhaps significantly, as events unfold over the period 2015/16 to 2017/18 or if planned efficiencies are not achieved.

### Refer Action Plan Point 2

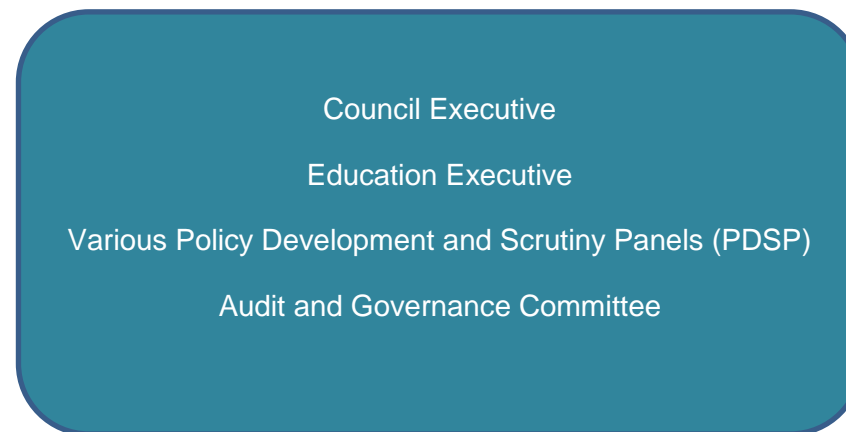
# Governance and accountability



80. Members of the Council and the Proper Officer are responsible for establishing arrangements for ensuring the proper conduct of the affairs of West Lothian Council and for monitoring the adequacy and effectiveness of these arrangements.

## Corporate governance

81. The corporate governance framework within West Lothian Council is centred on the Council which is supported by the following standing committees.



82. The Council Executive and Education Executive are responsible for all of the Council's policy-making, decision-making and statutory functions, powers and duties, other than those matters reserved to full Council, delegated to other committees or sub-committees of the Council or delegated by to a joint committee or joint board.
83. The Council's Policy Development and Scrutiny Panels (PDSPs) allow existing policies and new proposals to be subject to consideration and discussion by members. In particular, the Partnership and Resources PDSP has oversight of the financial resources and functions of the Council, including revenue budget, capital plan and treasury management. It is also responsible for corporate asset management planning and property disposal.
84. A key responsibility of the Audit and Governance Committee is

to undertake a corporate overview of the Council's control environment and to review the adequacy of the policies and practices in operation to ensure compliance with relevant statutes, directions, standards and codes of corporate governance. The Audit and Governance Committee is also responsible for evaluating the arrangements in place for securing the economical, efficient and effective management of the Council's resources and for considering internal and external audit reports and ensuring management implement the agreed recommendations.

- 85. The Council's Chief Legal Officer undertakes an annual review of compliance with the Council's Code of Corporate Governance. The results of this review for 2013/14 were reported to the Council Executive in June 2014 and the report concluded that the Code's standards were 'substantially met'.
- 86. Based on our observations and audit work our overall conclusion is that the governance arrangements within West Lothian Council are operating effectively.

### Internal control

- 87. As part of our audit we reviewed the high level controls in a number of the Council's systems that impact on the financial statements. This audit work covered capital accounting, accounts receivable, housing rents, housing repairs, general ledger, non-domestic rates, cash and banking, treasury

management and payroll. Our overall conclusion was that West Lothian Council had appropriate systems of internal control in place during 2013/14.

### Internal audit

- 88. Internal audit provides members of the council and the Proper Officer with independent assurance on the overall risk management, internal control and corporate governance processes. We are required by international auditing standards to make an assessment of internal audit to determine the extent to which we can place reliance on its work. To avoid duplication, we place reliance on internal audit work where appropriate.
- 89. Our review of internal audit concluded that the internal audit service operates in accordance with the Public Sector Internal Audit Standards and has sound documentation standards and reporting procedures in place. We placed formal reliance on the work of internal audit for accounts payable and council tax billing and collection.

### ICT audit

- 90. In our Annual Audit Plan, we proposed to carry out a review of the Council's business continuity provision, which is facilitated by the Audit and Risk Manager. We concluded that the process of developing and maintaining the Council's business continuity plan is operating satisfactorily based on a review of a

sample of service area plans. Whilst welcoming the progress the Council making in testing all services' WLC1 (risk to life and limb) business continuity plans, we consider this is only part of a continuous review process needed to maintain up-to-date business continuity plans.

91. In addition, we also planned to conduct the Your Business@ Risk Survey (YB@R) as part of this year's audit work. YB@R provides a snapshot of whether the Council's information governance policies are achieving their objectives. It can also aid the avoidance of data loss by highlighting the procedural, cultural and ethical risks that exist within the Council. However, we understand that the Corporate Management Team is looking at several options for rising cyber awareness and risk including YB@R and hope to reach a conclusion shortly.
92. For the first time in 2012/13, councils had to apply to connect to the Public Services Network (PSN) to allow the sharing of electronic data with other public bodies, such as the Department of Works and Pensions. This entailed complying with the strict security measures of the PSN Code of Connection which, if fully met, resulted in the issue of a compliance certificate. The application and approval process is subject to annual review and could result in a disruption to operations and service delivery if there were any non-compliance issues. Work is ongoing to maintain PSN compliance and the Council successfully achieved

accreditation on 22 August 2014 for the coming year.

### Arrangements for the prevention and detection of fraud

93. The Council's arrangements in relation to the prevention and detection of fraud and irregularities were satisfactory.
94. West Lothian Council participates in the National Fraud Initiative (NFI). The NFI uses electronic data analysis techniques to compare information held on individuals by different public sector bodies and different financial systems, to identify data matches that might indicate the existence of fraud or error. Overall, we concluded that the Council has satisfactory arrangements in place for investigating and reporting data matches identified by the NFI.

### Arrangements for maintaining standards of conduct and the prevention and detection of corruption

95. The arrangements for the prevention and detection of corruption in West Lothian Council are satisfactory and we are not aware of any specific issues that we need to record in this report.



## Correspondence referred to the auditor by Audit Scotland

96. Part of Audit Scotland's duties as external auditors of West Lothian Council is to consider concerns raised by members of the public about the Council. If appropriate, we may investigate them further. During 2013/14, we followed up an issue raised by a member of the public in relation to the Council's procedures for tendering a particular housing improvement contract.
97. We concluded that although the Council had complied with statute and legislation e.g. EU procurement regulations in relation to the contract, the Council's own Best Value framework (established in 2003) required to be updated to reflect current practice. As a result, in June 2014 the Council Executive approved the Council's updated Best Value framework (see paragraph 116), to reflect changes to current procurement legislation and financial thresholds.

## Integration of adult health and social care

98. The Public Bodies (Joint Working) (Scotland) Act received royal assent on 1 April 2014. The Act provides the framework for the integration of health and social care services in Scotland. The Act offers some flexibility on the partnership arrangements for the governance and oversight of integrated health and social care services. The integration will be complex and challenging and the council will need to engage at the highest level with the relevant health bodies in its area to ensure that integration is delivered within the required timescales and that the arrangements are functional and fit for purpose.
99. A joint approach to health and social care integration has been established between the NHS Lothian (NHSL) chief executive and the chief executives of the four councils (City of Edinburgh, East Lothian, Midlothian and West Lothian) within the NHSL area.
100. The priority for 2014 is to create the framework required to implement the Act. There is a clear timeframe for setting up the integration joint boards and a document called an integration scheme must be produced which includes the following information:
- The type of organisation which will be set up.
  - The aims and outcomes of the new organisation.
  - The health services and council services which will become the responsibility of the new organisation.
  - How the money and the finances will move between organisations.
101. We understand that the Council is working with NHSL to produce an integration scheme for the West Lothian Health and Social Care Integration Joint Board for submission to the Scottish Government for approval by 1 April 2015.



## Welfare Reform

102. The Council recognises the impact that the changes to the UK welfare system could have on resources and service provision. 2013/14 was a period of significant change with council tax benefits being replaced by the new Council Tax Reduction Scheme and the introduction of the Scottish Welfare Fund. Councils continue to face uncertainties over the roll out of the Universal Credit and there is the potential for further changes after the recent Scottish independence referendum.
103. The Council has established an Anti-Poverty Development Group (APDG), chaired by the Head of Finance and Estates, which is considering the impact of the various welfare reform changes, in terms of both the financial impact on individuals affected and the council's finances. The APDG is monitoring the effects of the welfare reform changes on the Council's services, including council tax collection and rent arrears.
104. The Head of Finance and Estates presents a welfare reform quarterly update report to the Council's Partnership and Resources Policy Development and Scrutiny Panel (P&R PDSP). The report provides an overview of the impact of welfare reforms within West Lothian and the action being taken by the Council in response to the reforms.
105. Rent arrears have been increasing in West Lothian Council. In 2012/13 arrears totalled £1.001 million and these had increased to £1.320 million at 31 March 2014 (an increase of 32%). During 2013/14 the Council reviewed its approach to the calculation of the housing rent arrears bad debt provision which increased to £1.509 million at 31 March 2014 (£0.615 million at 31 March 2013). In addition, we noted that the level of un-provided Council Tax debt at 31 March 2014 is £7.861 million, a decrease of £0.154 million (2%) from 2012/13.
106. The Council is currently running a high profile rent arrears campaign with adverts in the local media, press releases and posters displayed in Council offices, community centres and GP surgeries aimed at encouraging tenants to engage with the Council to ascertain whether tenants are eligible for housing benefit. We also note that housing officers regularly visit those tenants in arrears to provide advice and support.
107. In addition, the Discretionary Housing Payment (DHP) Fund can provide additional support to households where a tenant is in receipt of housing benefit but where there is a shortfall between their rent and the amount of housing benefit paid. DHP can be paid to alleviate short term hardship, or to assist those most affected by the welfare reforms, particularly those affected by the size criteria restrictions in the social rented sector.
108. The Council, having secured funding to fully mitigate the effects of the size criteria restrictions in West Lothian for 2014/15, and with the planned lifting of the DHP spending limit, adopted a new simple application process which provides for a

prompt award of DHP with the minimum possible burden being placed on each applicant. As a result of this initiative, around 99% of those affected by the size criteria restrictions in West Lothian have now been awarded full DHP for 2014/15.

### Refer Action Plan Point 3

## Housing benefits performance audit

109. In June 2014 the Accounts Commission approved the Audit Scotland benefits performance audit annual update report for 2013/14. The report highlights the main areas of risk identified during 2013/14 as well as areas where improvement is being evidenced. The Accounts Commission raised some specific concerns about the performance of benefit services across councils and their capability to deliver improvements going forward were:

- The on-going impact on benefit services from the loss of experienced staff and the difficulty benefit services have in filling vacant positions. This risk is increased by the continuing uncertainty about the timetable for the roll out of Universal Credit.
- The delivery of services to claimants being adversely affected for extended periods during times of change such as the implementation of new systems.

110. West Lothian Council's benefits service has been selected by Audit Scotland for a benefits performance audit follow-up risk

assessment in 2014/15. The risk assessment will involve a review of a completed self-assessment template and relevant benefits performance information to determine whether they provide assurance that sufficient progress has been made to reduce the risks to continuous improvement identified in the previous risk assessment report for the Council and that no additional material risks have arisen since the last assessment.

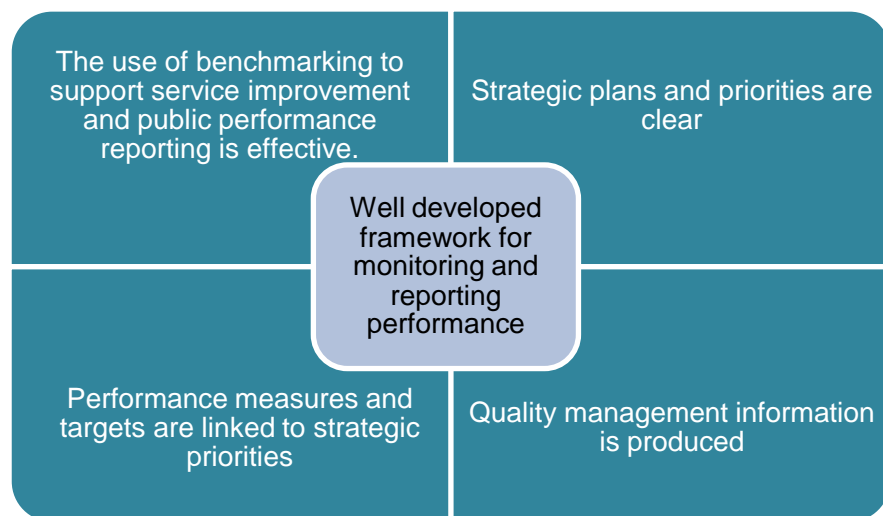
## Outlook

111. Councils continue to face rising demands for services alongside managing major reforms in welfare and health and social care. There is now a greater need than ever for strong governance and leadership. The integration of health and social care is a complex and challenging process and the Council will need to continue to engage at the highest level with partners to ensure that the relevant arrangements are in place by the statutory date of 1 April 2016.
112. There are to be major changes in councils' responsibilities for the investigation of fraud. The new Single Fraud Investigation Service (SFIS) is a national fraud investigation service within the Department for Works and Pensions (DWP) which will take over the responsibility for the investigation of housing benefit frauds. The investigation of the Local Council Tax Reduction Scheme and corporate frauds will remain within councils. The SFIS will be implemented across councils on a phased basis during the period July 2014 and March 2016 and will see the

transfer of staff from councils to the DWP. West Lothian Council staff will transfer to the DWP on 1 February 2015. There is a risk that councils' arrangements for the prevention and detection of fraud may be weakened due to the loss of experienced investigators to the SFIS. We note that the Council is planning to retain two posts relating to fraud work and these posts will be based in the audit and risk team.

113. The political context in 2014 has been particularly challenging with the referendum on Scottish independence. Whatever the conclusions of the Scotland Devolution Commission, a cross party working group tasked with overseeing the devolution of more powers to Scotland, there is the potential for even further change and discussions are likely on local services, governance and accountability.

## Best value, use of resources and performance



114. Local authorities have a statutory duty to provide best value in those services they provide directly as well as those provided through agreements with Arms Length External Organisations. This requires continuous improvement while maintaining a balance between quality and cost and having regard to value for money, equal opportunities and sustainability. There is also the duty to report performance publicly so that local people and

other stakeholders know what quality of service is being delivered and what they can expect in the future.

### Arrangements for securing Best Value

115. The first Best Value report in 2005 highlighted that the Council demonstrated a clear commitment to best value and community planning. Since this time the Council has implemented the plan which was compiled in response to that report and, based on the continuous improvement demonstrated by the Council, there are no plans for any further Best Value reviews over the period 2014/15 to 2016/17. This position was noted and agreed by the Local Area Network (LAN) during its shared risk assessment process, and reported accordingly in the 2013/14 Assurance and Improvement Plan.
116. In June 2014 the Council Executive approved the Council's updated Best Value framework, which replaced the existing Best Value framework established in 2003. The framework was updated to reflect changes to current procurement legislation and financial thresholds, two versions of Best Value guidance which were issued after the approval of the existing framework, and changes to the operating framework and approach to Best Value, such as a corporate and comprehensive approach to performance reporting and more rigorous WLAM assessments.
117. The framework can be categorised around the following Best Value themes:

## Best value, use of resources and performance

- Financial management.
- Challenge and improvement.
- Performance management.
- Governance and accountability.
- Procurement.

118. Officers will review progress and compliance with the Best Value framework on an annual basis and this will be considered at the Governance and Risk Board. In addition, an annual statement of compliance with the Best Value framework will be incorporated within the Head of Finance and Estates' annual compliance statement on procurement. The statement will be submitted to Council Executive as part of the overall governance report.

## Use of resources

### *Asset Management*

119. The Council has in place a strategic approach to capital planning, which is integrated with asset management planning. Progress against the corporate Asset Management Strategy is reported annually by asset lead officers to elected members through the relevant Policy Development and Scrutiny Panels (PDSPs). The corporate Asset Management Strategy and General Services Capital Programme for 2013/14 to 2017/18 were approved by the Council in January 2013. The strategy

sets out capital projects over the five year period with a total capital investment of around £200 million which will be principally funded by government grants, borrowing and capital.

### *Procurement*

120. The corporate Procurement Strategy 2014 to 2018 is aligned to the Council's Financial Strategy to secure cashable savings and other efficiencies. In 2012 the Council performed a full evaluation of its procurement activity and subsequently prepared a comprehensive set of recommendations to enable future procurement activities to be more efficient and effective. As a result, the Council's 2013 Procurement Capability Assessment (PCA) score was 62 per cent, which demonstrates a marked improvement on the 2012 PCA score of 44 per cent. This places the council in the 'improved performance' category. A work plan has been created by officers to identify the areas of possible improvement with a view to achieving targeted score of 68%.

### *Risk management*

121. A revised Risk Management Policy and Strategy, incorporating business continuity management strategy, was approved by the Council in February 2012. The Council has approximately 220 risks identified in its Covalent performance management system, which are reported alongside performance. The Risk Management Plan for 2013/14 (presented to the Audit &

Governance Committee in March 2013) highlights planned work in relation risks identified as 'high' within Covalent.

122. A review of the Council's corporate risk management arrangements by Falkirk Council's Internal Audit Service (June 2013) concluded that substantial assurance could be provided on the adequacy of the council's corporate risk management arrangements (i.e. largely satisfactory risk, control and governance systems are in place).

### *Workforce management*

123. The revised People Strategy 2013 to 2017 was approved by the Council Executive in December 2013 and is aimed at improving workforce effectiveness across the Council and progress towards the outcomes specified will be monitored using a range of performance indicators. The implementation of the People Strategy actions will provide a means of ensuring that effective leadership and people management processes are directed towards delivery of the priorities identified in the council's Corporate Plan. Annual workforce management plans are produced at individual service level and there is active review and redesign of working practices through techniques such as Rapid Improvement Events.

### *Partnership working*

124. The Scottish Government and Convention of Scottish Local Authorities reviewed community planning and Single Outcome Agreements in 2012 following which they published their

'Statement of Ambition'. It makes clear that significant changes to improve community planning are needed to respond the challenges of reducing public finances while demand for services increases.

125. West Lothian CPP was established in 1999 and consists of seventeen partner organisations. The current Community Plan "Towards 2020" was published in December 2009. The aspirations in the community plan are linked to national outcomes and the single outcome agreement to enable a joined up approach to delivering key outcomes. West Lothian Council and its community planning partners agreed a new Single Outcome Agreement (SOA) for 2013 to 2023 for the West Lothian area to reflect the six policy priorities contained in the guidance on CPPs issued by COSLA and the Scottish Government in 2012.
126. Partnership centres, including the £53 million Civic Centre, have now been successfully established, providing services across health, social work, education and community facilities from one location, sharing services and costs, and making access easier for customers. Plans have been developed to extend this model of community facility within West Lothian.
127. In response to a request from the Cabinet Secretary for Finance, Employment and Sustainable Growth, the Accounts Commission has led development work, with scrutiny partners, on how audit and inspection can support the delivery of better outcomes by Community Planning Partnerships (CPPs).

128. Following discussion and agreement with senior management, West Lothian Council was selected as one of a number of councils to receive a CPP audit in 2013/14. The West Lothian CPP audit commenced in October/November 2013 and the fieldwork was completed in June 2014. The final report will be published in October 2014.

## Performance management

129. West Lothian Council has robust self-evaluation arrangements in place. The Council has a framework for assessing performance and improvement called the West Lothian Assessment Model (WLAM) which is used in all services to evaluate and challenge performance and improvement through the Review Panel process. Every service is required to complete the assessment and attend a review panel at least once every three years.

130. The WLAM framework is supported by the Covalent Performance Management System which monitors performance indicators, initiatives and risks across all of the Council's service units. The Council has almost 6,000 performance indicators on Covalent, providing a wide range of detailed management information on the efficiency and effectiveness of services. Quarterly performance reports for each service are presented to the relevant PDSP throughout the year.

131. The Performance Committee conducts a continuous assessment of reviews of the units included in WLAM. Services report their performance reviews to the committee on the key activities and are provided with recommendations on how to improve their performance information. Our review of Council minutes suggests the Performance Committee operates well and there is evidence of effective scrutiny.

132. The Corporate Plan for 2013 to 2017 is underpinned by a 'Strategy and Activity Map', and which provides a clear link across Council priorities, outcomes, strategies, activities, objectives, services, WLAM units, calibrated scores, current staffing, revenue budget (activity) and future revenue budget (activity). Furthermore the mapping exercise drills down from community planning, through the corporate plan into management and employee planning.

133. We are satisfied that appropriate performance management arrangements were in place within West Lothian Council for 2013/14.

## Overview of performance targets in 2013/14

134. The Council's performance is monitored against 247 high level indicators aligned to the eight priorities and three main enabler themes in the Council's Corporate Plan. These indicators form part of the Council's public performance reporting framework. The Council's overall performance in 2013/14 was strong with



the achievement of 94% of targets across the high level indicators. The targets which were not achieved during the year are not significant and do not affect the overall performance against any of the corporate priorities.

### Statutory performance indicators

**135.** The Accounts Commission has a statutory power to define performance information that councils must publish locally and it does this through its annual Statutory Performance Information Direction. Since its 2008 Direction, the Accounts Commission has moved away from specifying individual indicators and has focused on public performance reporting and councils' requirement to take responsibility for the performance information they report.

**136.** The audit of Statutory Performance Indicators in 2013/14 is a two stage process. The first stage requires auditors to ascertain and appraise councils' arrangements for public performance reporting and the completion of the Local Government Benchmarking Framework indicators. This focuses on three statutory performance indicators (SPIs) namely :

- SPI 1: covers a range of information relating to areas of corporate management such as employees, assets and equalities and diversity
- SPI 2: covers a range of information relating to service

performance

- SPI 3: relates to the reporting of performance information as required by the Local Government Benchmarking Framework.

**137.** The second stage involves an assessment of the quality of the information being reported by the council to the public. An evaluation of all Scottish Local Authorities' approaches to 2012/13 public performance reporting (PPR) has been carried out by Audit Scotland's Performance Audit and Best Value section, the results of which were reported to the Accounts Commission in June 2014. Individual assessments were also reported to councils' Chief Executives, Leaders and Chairs of Audit Committees. These highlighted the extent to which their 2012/13 PPR material either fully, partially or did not meet the criteria used in the evaluation. The results for West Lothian Council were favourable, with 71% fully, 19% partially and 10% not meeting the criteria. A further evaluation of councils' approaches to PPR is due to be carried out by Audit Scotland in Spring 2015.

**138.** We have concluded that the Council's arrangements for public performance reporting and the completion of the Local Government Benchmarking Framework indicators are adequate.

**139.** The Council's Performance and Improvement Service undertake an annual compliance audit to assess the content



## Best value, use of resources and performance

and integrity of performance indicators. The focus of the analysis is on the quality, categorisation and management of the information that is fed into the system and informs the performance indicators. The level of compliance with corporate standards in 2014/15 has improved across all categories from the compliance audit in 2013/14.

- 140. The Council continues to improve its reporting of performance indicators and the Executive Management Team (EMT) have agreed corrective actions to improve the compliance levels of services with the corporate performance framework and standards, including the use of training, review panels and actions to address non compliance.
- 141. The Council is proposing to enhance its current PPR arrangements and a report was taken to the EMT in September 2014 detailing the action required to improve the arrangements.

## Assurance and improvement plan 2014-17

- 142. The Assurance and Improvement Plan (AIP) covering the period 2014 to 2017 is the fifth AIP for West Lothian Council prepared by the Local Area Network of scrutiny partners for the council since the introduction of the shared risk assessment process. This has been published on Audit Scotland's website and was submitted to the Audit and Governance Committee in June 2014.

- 143. No areas within the AIP were risk assessed as requiring further scrutiny or where further information was required. We will revisit these areas as part of the Shared Risk Assessment process for 2014/15.

## Local performance audit reports

- 144. In June 2011, Audit Scotland, on behalf of the Accounts Commission, published a national report entitled '*Arm's-Length External Organisations (ALEOs): Are you getting it right?*'. This report set out good practices to be considered by councils when setting up and operating ALEOs. More recently, following its consideration of a case involving The Highland Council, the Chair of the Accounts Commission's wrote to all councils highlighting the serious financial consequences of weak governance in the arrangements for overseeing ALEOs. The Chair took this opportunity to remind councils about the Commission's previous work in this area.
- 145. In 2013/14, we carried out a targeted follow-up review to provide the Accounts Commission with a position statement on councils' use of ALEOs and, in particular, assess what progress had been made subsequent to the publication of the 2011 report. This work will inform the Accounts Commission's consideration of ALEOs in the context of the public sector audit model.
- 146. In May 2014, we issued our follow-up report, in which we

## Best value, use of resources and performance

assessed the effectiveness of the Council's governance arrangements for overseeing ALEOs. Our report concluded that the governance arrangements in respect of ALEOs are well established and that the Council has a clear and well-structured governance framework for monitoring the performance of ALEOs.

priorities.

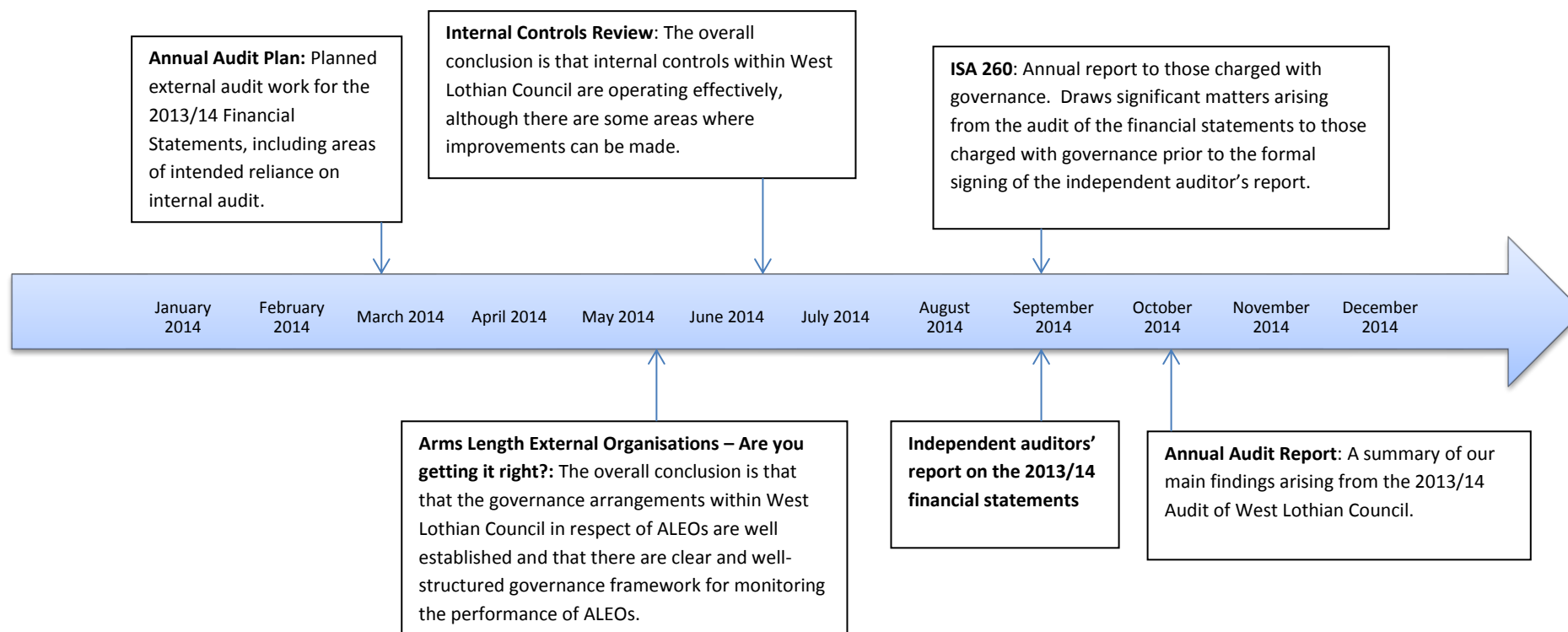
## National performance audit reports

147. The Council regularly reports the findings from our national performance audit reports to members including an assessment of current practices against good practices and the agreement of actions to ensure further improvements. A summary of national performance audit reports, along with local audit reports, is included in Appendices I and II .

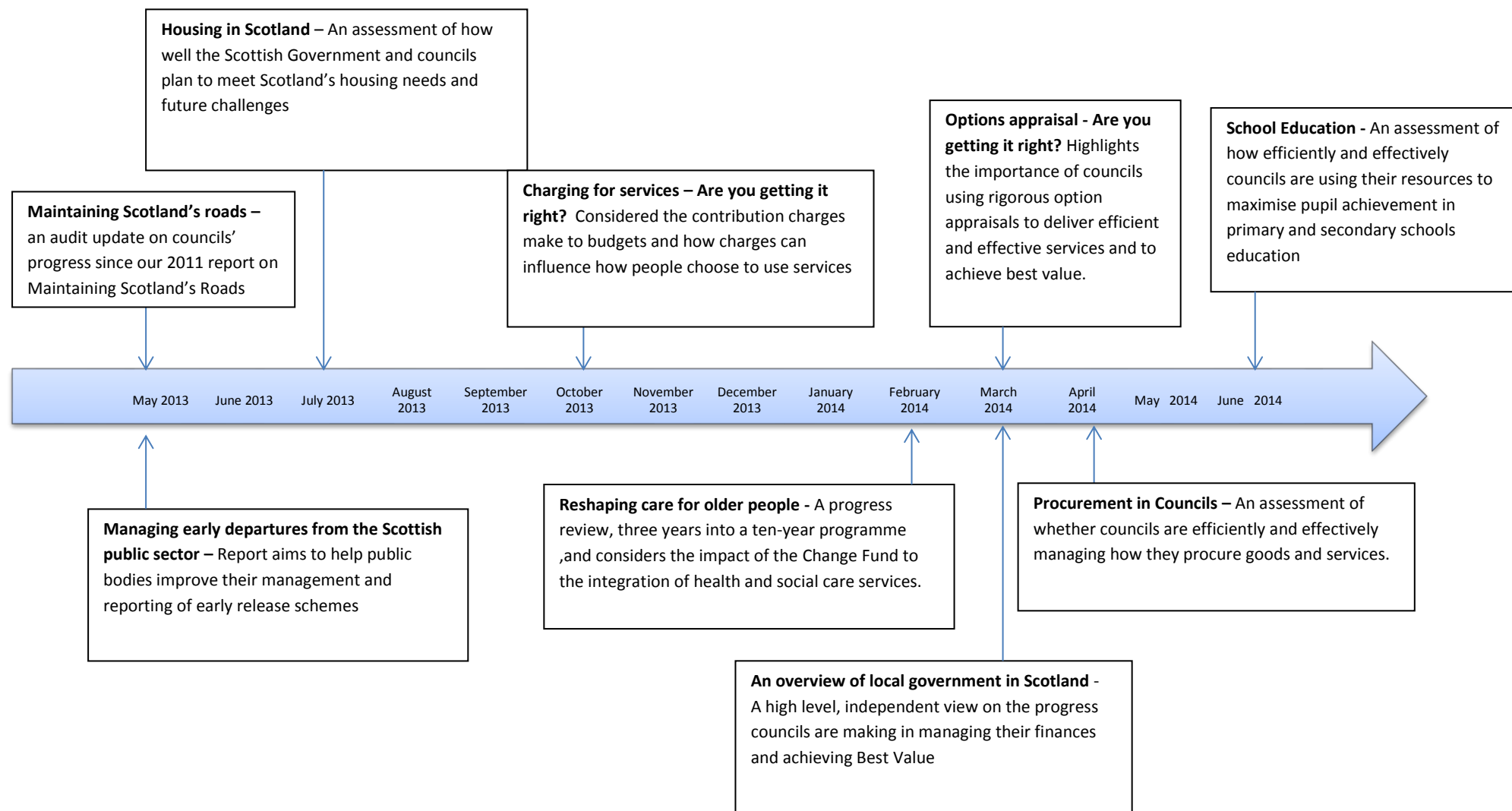
## Outlook

148. In common with other councils, West Lothian Council faces the key challenges of reducing budgets, an ageing population with higher levels of need and the public expectation of high quality services. Savings have been made in recent years largely by reductions in the workforce. However as choices on how to address funding gaps becomes increasing difficult, councils will have to focus on making the very best use of all available resources and to challenge existing ways of doing things. A strong and effective performance management framework will be critical to the success of the Council achieving its key

## Appendix I – Summary of West Lothian Council local audit reports 2013/14



## Appendix II – Summary of Audit Scotland national reports 2013/14



## Appendix III – Significant audit risks

The table below sets out the key audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure
<p><b>Managing financial pressures:</b> The Council agreed the revenue budget for 2013/14 and 2014/15 in January 2013, which identified funding gaps of £7.699 million and £7.176 million in 2013/14 and 2014/15 respectively. Savings proposals were produced for 2013/14 and 2014/15 and the Council has established effective officer level arrangements to control the delivery of each of the efficiency savings projects.</p> <p>The Council may fail to deliver their agreed efficiency savings options.</p>	<p>We monitored the delivery of savings and the financial position of the Council by reviewing the budget monitoring reports presented to members throughout the financial year.</p> <p>£7.439 million (97% of total savings target) of efficiency savings were achieved in 2013/14. The savings that were not delivered relate to procurement and were carried forward and added to the 2014/15 procurement savings target.</p> <p>Refer to pages 19 and 20 of this report.</p>

## Appendix III – Significant audit risks

Audit Risk	Assurance procedure
<p><b>Welfare reform:</b> The Council's Anti-Poverty Development Group (APDG) is monitoring the effects of the welfare reform changes on the Council's services, including council tax collection and rent arrears. However, rent arrears are increasing.</p> <p>The Council may not effectively manage the impact of Welfare Reform Act 2012 on individuals directly affected and the wider delivery of Council services.</p>	<p>We reviewed the welfare reform update reports presented to Council committees throughout the financial year.</p> <p>We monitored the level of housing rent arrears by reviewing the relevant reports presented to Council committees during the financial year.</p> <p>We reviewed the Council's approach to the calculation of the bad debt provision in respect of housing rent arrears and council tax arrears as part of the 2013/14 financial statements audit.</p> <p>Refer to pages 25 and 26 of this report.</p>
<p><b>New financial systems:</b> During 2013/14, three new financial systems have been implemented; asset register, non-domestic rates and housing rents and repairs.</p> <p>The controls within the newly implemented financial systems may not be operating effectively. With any new system there are always potential implementation risks.</p>	<p>We reviewed the key controls operating within each new financial system and reported our finding within our 2013/14 review of systems of internal control management letter issued in May 2014. No significant issues were identified.</p>

## Appendix IV – Action plan

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
1/19	<p><b>Borrowing</b></p> <p>The Council is continuing with a policy of incurring interest costs on additional borrowing in the short term, to enable them to make savings on future borrowing requirements.</p> <p><b>Risk</b></p> <p>The Council may incur unnecessary expenditure if the forecasted interest rate rises do not occur.</p> <p><b>Recommendation</b></p> <p>The Council should review its borrowing approach in light of developing market conditions.</p>	The borrowing approach will continue to be reviewed during 2014/15. The rationale for the treasury strategy will be covered in detail in the annual report to Council.	Head of Finance and Estates	March 2015

## Appendix IV – Action plan

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
2/20	<p><b>Funding gap</b></p> <p>The Council is facing a significant challenge in bridging a funding gap of over £30 million over the next three years.</p> <p><b>Risk</b></p> <p>The Council may not be able to generate sufficient efficiencies and cost savings to bridge the funding gap.</p> <p><b>Recommendation</b></p> <p>The Council should ensure that it has up to date plans in place to deliver the required efficiency savings.</p>	<p>A major budget consultation exercise will be undertaken in October and November 2014, the results of which will be reported to PDSPs in December 2014.</p> <p>A report on a three year revenue budget strategy and a detailed 2015/16 revenue budget will be presented to Council in early 2015.</p>	<p>Chief Executive</p> <p>Head of Finance and Estates</p>	<p>December 2014</p> <p>February 2015</p>



## Appendix IV – Action plan

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
3/26	<p><b>Rent arrears</b></p> <p>Council house rent arrears are continuing to rise (increasing by 32% on 2012/13) and this is likely to be further impacted by welfare reform.</p> <p><b>Risk</b></p> <p>The Council may be unable to prevent rent arrears from increasing, leading to a significant loss of income.</p> <p><b>Recommendation</b></p> <p>The Council should ensure that it has taken action to identify and address the causes of increasing housing rent arrears.</p>	The Council has detailed plans in place to manage and reduce rent arrears, via a rent strategy. This was reported to the Council Executive on 19 June 2014.	Depute Chief Executive (Corporate, Operational and Housing Services)	March 2015





## **AUDIT AND GOVERNANCE COMMITTEE**

### **AUDIT SCOTLAND FOLLOW UP REPORT ON ARM'S LENGTH ORGANISATIONS**

#### **REPORT BY HEAD OF FINANCE AND ESTATES**

##### **A. PURPOSE OF REPORT**

To inform the Audit and Governance Committee of the outcome of Audit Scotland's follow up report on arm's length organisations.

##### **B. RECOMMENDATION**

That the Audit and Governance Committee notes that Audit Scotland have concluded that the council has a clear and well-structured governance framework for monitoring the performance of West Lothian Leisure and for reporting on the activities of other significant outside bodies.

##### **C. SUMMARY OF IMPLICATIONS**

<b>I</b>	<b>Council Values</b>	Being honest, open and accountable. Making best use of our resources.
<b>II</b>	<b>Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	Audit Scotland's responsibilities are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice.
<b>III</b>	<b>Implications for Scheme of Delegations to Officers</b>	None.
<b>IV</b>	<b>Impact on performance and performance Indicators</b>	None.
<b>V</b>	<b>Relevance to Single Outcome Agreement</b>	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
<b>VI</b>	<b>Resources - (Financial, Staffing and Property)</b>	None.
<b>VII</b>	<b>Consideration at PDSP</b>	None.
<b>VIII</b>	<b>Other consultations</b>	Council officers as part of the audit process.

#### **D. TERMS OF REPORT**

Audit Scotland have undertaken a high level assessment of the governance arrangements that the council has in place for overseeing its arm's length external organisations.

Audit Scotland have focused on West Lothian Leisure which is included within the council's group accounts. While West Lothian Leisure has responsibility for leisure services delivery, the council remains accountable for the proper use of public funds and the delivery of best value.

Audit Scotland have identified no areas for improvement arising from their audit work.

#### **E. CONCLUSION**

Audit Scotland have concluded that that the governance arrangements in respect of West Lothian Leisure are well established. Overall, the council has a clear and well-structured governance framework for monitoring the performance of West Lothian Leisure and for reporting on the activities of other significant outside bodies.

#### **F. BACKGROUND REFERENCES**

Report to Audit and Governance Committee 3 June 2014: Audit Scotland Annual Audit Plan 2013/14.

Appendices/Attachments: Audit Scotland follow up report: Arm's Length External Organisations: Are You Getting It Right? dated May 2014.

Contact Person: Kenneth Ribbons, Audit and Risk Manager – Tel No. 01506 281573  
kenneth.ribbons@westlothian.gov.uk

**Donald Forrest**  
**Head of Finance and Estates**  
Date: 1 December 2014

# West Lothian Council

## Follow-up report

### Arm's length external organisations: are you getting it right?



Prepared for West Lothian Council  
May 2014

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.

# Contents

<b>Executive Summary</b>	<b>4</b>
Background	4
Key Findings	5
Management action	5
Acknowledgements	5
<b>Introduction</b>	<b>6</b>
Audit scope and objectives	6
<b>Findings</b>	<b>7</b>

# Executive Summary

## Background

1. Arm's-length external organisations (ALEOs) provide recognised 'council services' such as leisure services, but they can also manage commercial operations e.g. exhibition facilities and commercial properties. While the ALEO is responsible for providing services, the council remains accountable for the public money it gives to the ALEO and the quality of these services.
2. Councils in fulfilling their statutory best value duties should consider options for delivering services including the use of ALEOs. ALEOs can offer an alternative means of providing services compared to the more traditional 'in-house' or contract-based approach. Invariably, ALEOs are established as either companies or trusts. There may be benefits in this approach, but there are also risks.
3. The Accounts Commission's interest in ALEOs dates back to the 1996 when it worked jointly with COSLA to produce the *'Following the public pound'* Code. Furthermore, in 2011, the Accounts Commission published *'Arm's-Length External Organisations: Are you getting it right?'<sup>1</sup>*. This report set out good practices to be considered when setting up and operating ALEOs.
4. More recently, following its consideration of a case involving The Highland Council <sup>2</sup>, the Chair of the Accounts Commission's wrote to all councils highlighting the serious financial consequences of weak governance in the arrangements for overseeing ALEOs. The Chair took this opportunity to remind councils about the Commission's previous work in this area.
5. The Commission's ongoing review of ALEOs reflects its interest in ensuring effective governance of public finances and service performance, regardless of the way services are delivered.

---

<sup>1</sup> How councils work: An improvement series for councillors and officers - Arm's-length external organisations: Are you getting it right?, June 2011 [http://www.audit-scotland.gov.uk/docs/local/2011/nr\\_110616\\_aleos.pdf](http://www.audit-scotland.gov.uk/docs/local/2011/nr_110616_aleos.pdf)

<sup>2</sup> The Highland Council: Caithness Heat & Power, Follow-up statutory report, January 2014 [http://www.audit-scotland.gov.uk/docs/local/2014/sr\\_140109\\_chap.pdf](http://www.audit-scotland.gov.uk/docs/local/2014/sr_140109_chap.pdf)



## Key Findings

6. We have focused our review on West Lothian Leisure (WLL) which is included within West Lothian Council's (the Council) group accounts. While WLL has responsibility for leisure services delivery, the Council remains accountable for the proper use of public funds and the delivery of best value.
7. More specifically, we have been asked to provide a high level assessment of the governance arrangements that the Council has in place for overseeing its ALEOs. In carrying out this assessment we used the toolkit accompanying the 2011 report.
8. We have concluded that the governance arrangements in respect of WLL are well established. Overall, the Council has a clear and well-structured governance framework for monitoring the performance of WLL and for reporting on the activities of other significant outside bodies which are not described as ALEOs in the same way as WLL. Performance monitoring is embedded within the Council's process including formal reporting to various Council committees with ongoing liaison and monitoring at an operational level between Council officers and WLL. In the case of WLL, this includes quarterly meetings of a dedicated committee of councillors attended by senior officers of WLL.

## Management action

9. Although no areas for improvement have been identified from our follow-up work, management have agreed the factual accuracy of this report.
10. The issues identified in this report are only those which have come to our attention during the course of the review and are not necessarily, therefore, all the issues that may exist. It remains the responsibility of management to determine the extent of any improvement action appropriate to the Council.

## Acknowledgements

11. The assistance and co-operation received from officers during the course of our audit work is gratefully acknowledged.

# Introduction

## Audit scope and objectives

12. The targeted follow-up audit of ALEOs is being carried out across all local authorities in Scotland. The primary aims of this audit are to:
  - Provide the Accounts Commission with a position statement on councils' use of ALEOs and, in particular, on progress since the *'Arm's-Length External Organisations: Are you getting it right?'* (2011)
  - Inform the Accounts Commission's consideration of ALEOs in the context of the public sector audit model.
13. As part of our planned audit work for financial year 2013/14, we carried out targeted follow-up on the 2011 report to collect information on the following key issues:
  - how many ALEOs the Council has
  - the legal status/relationship the Council has with each ALEO
  - the services delivered by the ALEO
  - the scale of the ALEO (workforce, turnover, assets etc.)
  - description of the governance arrangements the Council has for overseeing ALEOs
  - the effectiveness of those governance arrangements.
14. To help assess the effectiveness of those arrangements we used the *'Toolkit for improving the governance of ALEOs'* set out at the end of the 2011 report.
15. Our key findings have been documented below under the four high level questions identified in the toolkit. In addition, we reviewed whether the Council had considered the 2011 report on ALEOs and taken action as appropriate. Our review covered WLL whose summary information (from WLL's 2012/13 Annual Report) is shown below:

Name of ALEO	Legal status	Services delivered	Turnover	Net assets	Workforce
West Lothian Leisure	Industrial and provident society with charitable status	Provision of sport and leisure facilities.	£9,717,710	£508,438	249

# Findings

## Has the Council formally considered the 'Arm's-Length External Organisations: Are you getting it right'?

17. The 'Arm's-Length External Organisations: Are you getting it right?' report on ALEOs was published by Audit Scotland in June 2011 and was not considered by any Council committee or the Policy Development and Scrutiny Panel (PDSP) at that time. The Council did not consider the recommendations of the report to be relevant to its position with regards to ALEOs at the time. More recently, in April 2014, the report was considered by the Corporate Governance Working Group (attended by officers only) and then by the Governance & Risk Board in May 2014. A further report now being prepared to consider the Audit Scotland report, 'The Highland Council: Caithness Heat and Power: Follow-up' published in January 2014, and make recommendations about future practice and procedures.

## How clear is the Council about its reasons for delivering services through ALEOs?

18. The WLL annual business plan is approved by its board. Senior Council officers and partners attend the Council's leisure business planning event and input to the plan. However, since WLL has the independence of an ALEO, there is no formal approval of the plan by Council committee. As part of our follow up work we reviewed the strategy and note that the vision, aims and objectives are closely linked to the main themes of the Council's Single Outcome Agreement (SOA).
19. WLL is considered a key partner in the West Lothian Community Planning Partnership and the delivery of its services are linked via the Council's SOA to the Council's wider strategic objectives and priorities. It is linked to two of the SOA priorities ("We live longer healthier lives" and "We live in well designed sustainable places where we are able to access the services we need"). The main purpose of WLL is to deliver sport and leisure services on behalf of the Council. The service funding agreement between both parties stipulate the terms under which this is to be achieved.
20. The service funding agreement covers a 12 month period and is reviewed annually, with the written agreement of the Council and WLL and subject to satisfactory monitoring and approval by the Culture and Leisure PDSP and the West Lothian Leisure Advisory Committee (WLLAC).
21. Therefore, the Council's reasons for delivering services through WLL are clear as there is a formal process for ensuring services delivered by WLL are linked to the Council's strategic objectives and priorities.

### **How well does the council understand the financial commitment and risk to which it is exposed through ALEOs?**

22. The Council have identified a number of local performance indicators which involve the functions performed by WLL and would help identify potential performance issues. These are reported to the WLLAC and are also monitored via Covalent (the Council's performance management system). The Council's Audit and Risk Management Unit provides an internal audit service to West Lothian Leisure. An internal audit report is produced annually and reported to WLL's Audit and Finance Sub-Committee. A service funding agreement was produced in 2011 which details the financial and performance arrangements for WLL. This includes clauses where the Council may have to 'step-in' in the event of emergency events.
23. The Corporate Governance Working Group considered a report on the reporting arrangements of outside bodies in June 2010. The workings of WLL are reported to the WLLAC and the Culture and Leisure PDSP. The WLLAC meets quarterly and considers monitoring reports as well as the financial position of WLL. The PDSP also considers twice a year Sport and Outdoor as well as Community and Leisure performance reports. These reports include a summary of the latest service performance information as well as evidence of the value of the contribution and the positive impact made on the health and wellbeing and education of some users.
24. Sport and Leisure management information is also recorded on Covalent which is reported as part of the Council's Specified Performance Indicators (SPIs).
25. It is clear that the Council has adequate risk monitoring arrangements in place to review specific governance, finance and performance indicators to identify potential issues in relation to WLL.

### **How effective are the council's arrangements for monitoring the financial and service performance of ALEOs, maintaining accountability and for ensuring audit access?**

26. The Council monitors the performance of WLL through the completion of local performance indicators recorded within Covalent. An update on performance is provided on a six monthly basis and reported to the Culture and Leisure PDSP. These reports provide summary of latest service performance information. The financial information for WLL is consolidated into the Council's group accounts at the financial year end and there are no restrictions on auditor access to information.
27. The Council stipulates how and at what interval it intends to monitor the financial and service performance of WLL, which is further highlighted in the Corporate Working Group report on external bodies reporting. WLL reports to the WLLAC and Culture and Leisure PDSP, both of which consider its monitoring reports.
28. The WLL Annual Business Delivery Plan submitted to the Council contains details of the highlights and challenges of the previous financial year. There is regular monitoring of the

financial performance of WLL by the Council throughout the year, which demonstrates that the Council's financial and service performance monitoring arrangements are sufficient.

**Where members or senior officers are appointed to the board or equivalent of ALEOs, how clear are they about their role?**

29. The board of WLL has a total of 12 members, 3 of whom have been appointed from the Council. The Council representation on the board was last changed after the Council elections in May 2012. Of the Board membership, two of the three councillors are members of the Culture and Leisure PDSP and WLLAC, with one being the chair of both bodies.
30. The Council's representatives on the ALEO committees are governed by the Councillors' Code of Conduct. They are also responsible for the declaration of conflicts of interest through the Register of Interests for members and through verbal declaration of interests on meeting agenda items at both Council and WLL Board meetings.
31. Training is provided to councillors on "Being on Outside Bodies" as part of their induction after local government elections. The training covers ALEOs and other bodies. In accordance with the Council's Local Code of Corporate Governance, that training is made available to members at least once in the period between elections. Similar training is given to Council officers most closely involved with outside bodies, including ALEOs. Therefore, members and Council officers appointed to all outside bodies are provided with sufficient support and guidance to enable them to undertake their roles effectively.





## **AUDIT AND GOVERNANCE COMMITTEE**

### **INTERNAL AUDIT PROGRESS REPORT**

#### **REPORT BY AUDIT AND RISK MANAGER**

##### **A. PURPOSE OF REPORT**

To inform the Audit and Governance Committee of progress on the internal audit plan for 2014/15.

##### **B. RECOMMENDATION**

That the Audit and Governance Committee notes progress on the 2014/15 internal audit plan, the main items of work undertaken to date, and the risks to the completion of the plan.

##### **C. SUMMARY OF IMPLICATIONS**

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

##### **D. TERMS OF REPORT**

###### **1.0 Risk Based Audit**

This involves reaching an opinion as to the effectiveness of control over key risks to the council. The following work has been undertaken.

### Completed

Administration of council tax  
Fire safety – Social Policy  
Insurance claims – Building Services  
Section payments – Social Policy  
Carbon Reduction Commitment Energy Efficiency Scheme  
Gas Safety – Construction Services and Building Services  
Open Contractor – order and receipting process  
Administration of medication – Social Policy

### Work in Progress

Accounts payable  
Officers' registers of interests  
Members' registers of interests  
Welfare reform – mitigation of risks  
Cash collection – Community High Schools  
Open Housing – project management  
PECOS (council ordering system)  
Public Transport Unit – controls to mitigate collapse of a major bus operator  
Reconciliations – Revenues Unit  
HR21 employee expenses system  
Follow up of Gallagher Bassett risk consultant review of physical asset security  
Administration of Scottish Welfare Fund  
Public Records Scotland Act compliance  
Quick Quote processes

### Other work

There are a number of planned risk based audits which do not require to be carried out as alternative assurance has or will be received.

Business continuity – subject of a report by Audit Scotland, submitted to the Audit and Governance Committee on 29 September.

Management of asbestos – processes and procedures due to be reviewed by the Gallagher Bassett risk consultant in January 2015.

## **2.0 Grant Claims**

This is a relatively minor area of work involving the annual audit of the Leader (rural development) grant claim. This is complete.

## **3.0 Reactive Work**

This is work not included within the annual audit plan and which is undertaken at the request of the Audit and Governance Committee or senior council officers. The main items of reactive work to date are as follows.

Education training invoices- this is included separately on the agenda.

Payments to voluntary organisations – a review of the processes for ensuring that voluntary organisations are paid accurately and timeously.

## **5.0 Staffing Matters**

The current internal audit complement stands at approximately four fte, including a contribution of audit work from the Community Benefits and Compliance Officer. In addition two counter fraud officers are to be retained to develop the council's corporate counter fraud function.

One member of staff has handed in their notice with a departure date of 31 December. This post will be replaced by a lower graded post and advertised internally, and there is likely to be a transitional period before that person becomes fully effective. In addition, due to other urgent work, the Community Benefits and Compliance Officer is



unlikely to complete his share of the annual audit plan.

Any risk based audits which are not completed will be considered for inclusion in the annual audit plan for 2015/16.

**E. CONCLUSION**

Progress on the 2014/15 annual audit plan will continue to be monitored in the light of the incidence of reactive work and the availability of staff resources.

**F. BACKGROUND REFERENCES**

Report to the Audit and Governance Committee 11 February 2014: Internal Audit annual audit plan 2014/15.

Report to Audit and Governance Committee 28 May 2014: Community Benefits and Compliance Officer.

Appendices/Attachments: None

Contact Person: Kenneth Ribbons, Audit and Risk Manager –  
[Kenneth.ribbons@westlothian.gov.uk](mailto:Kenneth.ribbons@westlothian.gov.uk) Tel No. 01506 281573

**Kenneth Ribbons**  
**Audit and Risk Manager**

Date: 1 December 2014