



Audit Committee

West Lothian Civic Centre
Howden South Road
LIVINGSTON
EH54 6FF

19 March 2019

A meeting of the **Audit Committee** of West Lothian Council will be held within the **Council Chambers, West Lothian Civic Centre** on **Monday 25 March 2019** at **2:00pm**.

For Chief Executive

BUSINESS

Public Session

1. Apologies for Absence
2. Declarations of Interest - Members should declare any financial and non-financial interests they have in the items of business for consideration at the meeting, identifying the relevant agenda item and the nature of their interest
3. Order of Business, including notice of urgent business and declarations of interest in any urgent business
4. Confirm draft Minutes of Meeting of Audit Committee held on Monday 14 January 2019 (herewith)

Public Items for Decision

5. Audit Committee Workplan - Report by Audit, Risk and Counter Fraud Manager (herewith)
6. Internal Audit Plan 2019/20 - Report by Audit, Risk and Counter Fraud Manager (herewith)
7. Counter Fraud Plan 2019/20 - Report by Audit, Risk and Counter Fraud Manager (herewith)

Public Items for Information

8. External Audit Plan 2018/19 - Report by Audit, Risk and Counter Fraud Manager (herewith)
9. Internal Audit of the Administration of School Funds - Report by Head of Education (Learning, Policy and Resources) (herewith)
10. Internal Audit of I.T. Project Management - Report by Audit, Risk and Counter Fraud Manager (herewith)
11. Internal Audit of General Data Protection Regulation (GDPR) Implementation - Report by Audit, Risk and Counter Fraud Manager (herewith)
12. Internal Audit of Information Security - Report by Audit, Risk and Counter Fraud Manager (herewith)
13. Follow Up of the Audit of External Children's Placements - Report by Audit, Risk and Counter Fraud Manager (herewith)
14. Audit Scotland Report - Social Work in Scotland - Impact Report - Report by Head of Social Policy (herewith)

Private Items for Information

15. 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)
16. Counter Fraud Investigation: Care at Home - Report by Audit, Risk and Counter Fraud Manager (Exempt in terms of paragraphs 6 and 14)

NOTE **For further information please contact Anastasia Dragona on tel. no. 01506 281601 or email anastasia.dragona@westlothian.gov.uk**

MINUTE of MEETING of the AUDIT COMMITTEE held within COUNCIL CHAMBERS, WEST LOTHIAN CIVIC CENTRE, on 14 JANUARY 2019.

Present – Councillors Chris Horne, Damian Timson, Dave King (substituting for Councillor Fitzpatrick), John McGinty and David Tait

Apologies – Councillor Lawrence Fitzpatrick

Absent: Appointed Representative Noel Lawlor

In attendance: Graham Hope (Chief Executive), Donald Forrest (Head of Finance and Property Services), Jim Forrest (Depute Chief Executive) (present for item 10), Nicola Gill (Public Transport Manager), Lesley Henderson (HR Services Manager), Jo MacPherson (Interim Head of Service, Social Policy), James Millar (Governance Manager), Alice Mitchell (Economic Development Manager), Gillian Oghene (Group Manager, Management and Support), Kenneth Ribbons (Audit, Risk and Counter Fraud Manager), Stuart Saunders (Senior Compliance Officer), Tim Ward (Senior Manager, Young People and Public Protection); Stephen Reid (EY)

1. DECLARATIONS OF INTEREST

No declarations of interest were made.

2. ORDER OF BUSINESS

The Chair ruled that Agenda Item 10 would be discussed last, after the private session, due to the Depute Chief Executive attending another meeting.

3. MINUTE

The committee approved the minute of its meeting held on 8 October 2018 as being a correct record. The Chair thereafter signed the minute.

4. INTERNAL AUDIT PROGRESS REPORT

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager providing details of progress in relation to the internal audit plan for 2018/19.

With regard to risk-based audit, the report listed works that had been completed as well as those in draft, in progress and those yet to start. The annual audit of the Leader (rural development) grant claim had been undertaken, and review of the 2017/18 Climate Change Declaration and the audit of the 2017/18 Carbon Reduction Commitment Energy Efficiency Scheme had also been completed. No material items of reactive work had been undertaken during that period.

The internal audit team also undertook work for other external bodies, reported separately to the audit committees of those organisations – namely the West Lothian Integration Joint Board, West Lothian Leisure and the Improvement Service.

Two amendments to the current internal audit plan had been proposed: 1. The Gallagher Basset review of personal safety in social policy, scheduled to take place on 30 January, to be included in the 2019/20 internal audit plan and to be currently replaced with a follow up of the internal audit report on external children's placements submitted to the Audit Committee on 8 October 2018; and 2. The review of procurement within Building Services to be replaced with a review of corporate debt recovery, while council-wide procurement risks to be further considered as part of the scoping of the 2019/20 internal audit plan.

In conclusion, the 2018/19 internal audit plan remained on target to be completed.

It was recommended that the Audit Committee:

1. Note that the 2018/19 internal audit plan remained on target to be completed; and
2. Agree to the amendments to the 2018/19 internal audit plan as set out in section D.5 of the report.

Decision

To agree the recommendations in the report.

5. BREXIT PREPARATIONS

The committee considered a report (copies of which had been circulated) by the Head of Planning, Economic Development and Regeneration providing an update on work being carried out by officers to identify Brexit-related risks with specific reference to the Audit Scotland report *Key Audit Issues For The Scottish Public Sector*.

The covering report noted that leaving the European Union would have implications for West Lothian Council, its partners and West Lothian as a whole. Potential risks impacting council service delivery and operations have been identified as part of a 'Horizon Scanning' exercise; lack of certainty about the UK parliament's position regarding the Draft Withdrawal Agreement had made it difficult to score those risks, although that process was now being progressed. Information and advice from government, agencies and other organisations had helped benchmark the risks identified by services across the council with those identified by others.

The report advised that no immediate threat to the operation of the council was foreseen; however, due to the dynamic nature of the issues and

emerging guidance, work would continue to understand those issues and develop contingency plans.

In October 2018, Audit Scotland had published a report identifying key issues for local authorities to consider with respect to Brexit. The report was attached as Appendix 1 and addressed questions under the headings of People, Finance, and Rules & Regulations.

The council had established a Brexit Working Group with the aim of understanding and managing the risks associated with Brexit. Potential risks had been identified and assessed and mitigation actions were being put in place, although in many cases addressing the risks would be outwith the council's control.

During the course of further discussion it was noted that the proportion of non-EU nationals in Scotland was 6%, while according to an assessment undertaken by the council's Human Resources the corresponding figure for the council was 1%. No immediate threat had been identified with regard to the council's supply chain and disruption to council services; the situation continued to be monitored, taking into consideration advice from COSLA.

It was recommended that the Audit Committee:

1. Note that there was an increasing amount of guidance and collaborative working on understanding Brexit issues;
2. Note that the Brexit outcomes were unknown and that there remained a great deal of fluidity and uncertainty on Brexit; and
3. Note that the Corporate Working Group on Brexit was carrying out further work on risks, informed by the Audit Scotland report and other information sources.

Decision

To note the terms of the report.

6. RISK ACTIONS ARISING FROM AUDIT AND INSPECTION REPORTS

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

The report followed on from a previous report submitted to the Audit Committee on 25 June 2018 and provided an update on the five outstanding actions of the previous report. The update was attached as Appendix 1. Currently there remained three outstanding actions, all relating to internal audit.

The report noted the importance of timeous implementation of actions and advised that oversight of outstanding risk actions by the Audit Committee

would facilitate their completion in order to comply with council objectives.

The committee expressed concern with regard to frequent adjustment of due dates and the gaps between original and revised due dates. In relation to two actions in Public Transport that had been overdue for almost three years, the committee was assured that they were on track for completion in January 2019. The Audit, Risk and Counter Fraud Manager agreed to keep the matter under consideration and work with customers to determine due dates that were both timeous and practical.

The committee noted its appreciation that the number of outstanding actions had been significantly reduced.

It was recommended that the Audit Committee consider progress in relation to the outstanding risk actions.

Decision

To note the terms of the report.

7. AUDIT SCOTLAND REPORT: HOUSING BENEFIT PERFORMANCE AUDIT - ANNUAL UPDATE 2018

The committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services providing an update on the Audit Scotland's report on the Housing Benefit performance audits carried out during 2017/18.

The main objective of the benefit performance audit was to help councils improve their benefits service and to hold councils to account for any failing services. Assessment took place every autumn and had two phases: a risk assessment and a focused audit phase.

Audit Scotland had performed risk assessment visits to five councils and had identified a total of 24 risks to continuous improvement. Weaknesses had been identified in business planning and performance, quality checking and intervention outcomes; outstanding risks related to accuracy, interventions and overpayments. Audit Scotland reported that in all the five councils visited, the level of resources might not be sufficient to maintain or improve on previous claims processing performance levels.

The roll out of Universal Credit remained the most significant change to the social security landscape. A report by the National Audit Office published in June 2018 had identified a number of ongoing issues; the Scottish Government had introduced two flexibilities as of October 2018 to how Universal Credit claimants in Scotland could choose to receive their payment.

Audit Scotland also commented on a number of ongoing developments with the potential to impact on housing benefit performance levels going forward. In West Lothian, performance statistics for the speed of processing housing benefit new claims and changes had improved

significantly.

In conclusion, Audit Scotland had recognised the improvements made by the councils visited; it also acknowledged ongoing pressures due to Universal Credit roll out and additional welfare reforms. West Lothian Council would continue to work on improving the service and proactively address future challenges of Welfare Reform. The current housing benefit performance statistics for West Lothian remained excellent and a further visit by Audit Scotland was not anticipated.

It was recommended that the Audit Committee note the content of Audit Scotland's annual update report.

Decision

To note the terms of the report.

8. LOCAL GOVERNMENT IN SCOTLAND FINANCIAL OVERVIEW 2017/18

The committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services which provided a summary of the *Local Government in Scotland Financial Overview 2017/18* report published by the Accounts Commission on 29 November 2018 and outlined officer responses to the points included in the scrutiny tool for councillors, shown as Appendix 1 of the report.

The Accounts Commission report provided a high level view of the challenges facing councils, how well councils were addressing those challenges and what more they could do to maintain or improve services for the public within reduced resources. The Accounts Commission expected councillors and senior council officers to use the report as a source of information to support their complex and demanding role.

The Accounts Commission report identified key messages for councillors and summarised key issues on local authority budgets and spending in 2017/18; it then went on to provide the financial outlook facing councils and to describe potential implications for the council.

During discussion, an update on teachers' pay award and pensions was provided; pay negotiations were ongoing, while according to COSLA 2/3 of the pensions increase would be funded by Scottish Government and 1/3 by local authorities. The committee was informed that the council's revenue budget model would be updated to reflect the outcomes of the negotiations.

It was recommended that the Audit Committee:

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

financial performance.

Decision

To note the terms of the report.

9. COUNTER FRAUD REPORT FOR FIRST SIX MONTHS OF 2018/19 (APRIL TO SEPTEMBER)

The committee resolved that this and the item of business following should be considered in private under paragraphs 1 and 14 of Schedule 7A to the Local Government (Scotland) Act 1973.

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager providing an update on the performance and activities of the Counter Fraud Team for the six months from 1 April 2018 to 30 September 2018. The work had been carried out in accordance with the council's Anti-Fraud and Corruption Policy and Whistleblowing Policy and the council's zero-tolerance approach to fraud.

The Counter Fraud Team administered the National Fraud Initiative and worked in partnership with the council's external auditors – Ernst & Young, Police Scotland, NHS, Scotland Counter Fraud services and other local authorities for the prevention and detection of fraud, theft and wrongdoings against the council.

The report summarised the referrals received by the Counter Fraud Team during the monitoring period and provided a summary of investigation outcomes. Appendix 1 of the report (private) summarised fraud incidents encountered during the monitoring period, while Appendix 2 provided a list of the Performance Indicators for the team's work.

In the discussion that followed, the committee noted the recent and expected impact of staffing and resources on the number of referrals and their processing.

It was recommended that the committee note the performance and activities undertaken by the Counter Fraud Team during the first six months of the 2018/19 financial year.

Decision

1. To note the terms of the report.
2. To note completion by Roberta Irvine, Counter Fraud and Compliance Officer, of the CIPFA Accredited Counter Fraud Specialist qualification.

10. COUNTER FRAUD INVESTIGATION: COMMUNITY PAYBACK ORDERS

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager describing the outcome of an investigation into an allegation relating to the administration of community payback orders by the Community Payback team, within Criminal and Youth Justice, Social Policy.

The report indicated that in February 2018, the Counter Fraud team had been advised of concerns raised by an individual relating to falsification of community payback orders documentation, breach of confidentiality and misuse of council property by the Community Payback team. Investigation into the allegations ensued, which involved interviews with witnesses and review of Community Payback team practices, and it was concluded that the concerns raised had been partially substantiated. Details of the investigation were shown in Appendix 1 of the covering report and included details of the allegations, the findings of the investigation and grading of their importance and an action plan containing agreed management actions intended to rectify the deficiencies identified and improve control.

During the discussion that followed the committee was assured that the problems reported had not been found to be widespread and that actions had been designed to ensure that did not happen. The timescales were confirmed to be challenging but achievable, especially since actions were already in progress. Officers also confirmed that the result of the investigation had been passed on to the original whistle-blower in accordance with the council's policy and procedure.

It was recommended that the Audit Committee:

1. Note the findings of the investigation; and
2. Note the agreed actions which were set out in the investigation report's action plan to improve internal control.

Decision

To note the terms of the report.

11. AUDIT SCOTLAND REPORT: HEALTH AND SOCIAL CARE INTEGRATION: UPDATE ON PROGRESS

The committee considered a report (copies of which had been circulated) by the Depute Chief Executive providing an update on Audit Scotland's progress report on health and social care integration, attached as Appendix 1.

The report formed part of a five-year programme of work on integration and was the final of three performance reports Audit Scotland had produced. The aim of this audit was to examine the impact of public bodies as they integrated health and social care services.

The report had found that financial planning was not integrated, long term or focused on providing the best outcomes for people who needed support, thus limiting the ability of Integration Authorities to improve the health and social care system. Furthermore, relevant legislation had not been enacted and strategic planning faced significant barriers and required improvement. The report also highlighted the importance of appropriate leadership and engagement of all partners in order for successful reforms. It then recommended six areas that would need to be addressed for integration to make a meaningful difference for people in Scotland.

In the discussion that followed, the committee noted the Depute Chief Executive's view on progress in West Lothian and that a full review of the Strategic Plan was under way with a review of the Integration Scheme to be undertaken thereafter.

It was recommended that the Audit Committee:

1. Note Audit Scotland's findings in relation to progress against integration; and
2. Note the recommendations set out by Audit Scotland as requiring to be addressed to further integration and make a meaningful difference to people in Scotland.

Decision

To note the terms of the report.



AUDIT COMMITTEE

AUDIT COMMITTEE WORKPLAN

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of the Committee's proposed workplan for 2019/20.

B. RECOMMENDATIONS

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

C. SUMMARY OF IMPLICATIONS

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

D. TERMS OF REPORT

The regular work of the Committee is prescribed by the annual cycle of internal audit, external audit, and counter fraud work. The appendix to this report sets out the regular items which are due to be submitted to the Committee during 2019/20 and comprises the Committee's workplan. These items are all submitted annually with the exception of reporting in relation to the National Fraud Initiative (NFI) data matching exercise which is undertaken every two years.

Other items of business are submitted to the Committee as considered appropriate, for example internal audit reports, counter fraud reports, and external audit reports, including national audit reports.

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

Internal audit and counter fraud work is summarised in the relevant progress reports and annual reports, and the Committee may of course ask to receive any individual reports which have not been previously submitted.

E. CONCLUSION

This report advises members of the Committee's proposed workplan for 2019/20.

F. BACKGROUND REFERENCES

Report to Audit Committee 30 June 2017: Committee Remit and Administrative Arrangements

Appendices/Attachments: Audit Committee Workplan

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

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 25 March 2019

APPENDIX: AUDIT COMMITTEE WORKPLAN 2019/20

June
Internal Audit Annual Report
Counter Fraud Annual Report
Internal Audit and Counter Fraud Strategy – Progress Report
Unaudited Accounts
Outstanding Risk Actions From Audit and Inspection Reports
Local Scrutiny Plan 2019/20
Audit Scotland Local Government Performance and Challenges Report
Audit Committee Self - Assessment - Consultation
October
Auditor's Annual Report to Members and Audited Accounts
Audit Committee Self - Assessment - Outcome
Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG) - Annual Report
January
Internal Audit Progress Report
Counter Fraud Progress Report (including NFI progress)
Audit Scotland Local Government Financial Overview Report
Outstanding Risk Actions From Audit and Inspection Reports
March
Internal Audit Annual Plan 2020/21
Counter Fraud Annual Plan 2020/21
External Audit Annual Plan 2019/20
Audit Committee Workplan 2020/21



AUDIT COMMITTEE

INTERNAL AUDIT PLAN 2019/20

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of the 2019/20 internal audit plan.

B. RECOMMENDATION

It is recommended that the Audit Committee approves the 2019/20 internal audit plan.

C. SUMMARY OF IMPLICATIONS

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

D. TERMS OF REPORT

The Public Sector Internal Audit Standards (PSIAS) require that a risk based audit plan be prepared. The internal audit plan for 2019/20 is attached as an appendix to this report and sets out the planned internal audit work for the year to 31 March 2020.

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

As I fulfil the role of head of internal audit, counter fraud manager, and corporate risk manager, there is the potential for conflicts of interest to arise. Arrangements for dealing with potential conflicts of interest are set out in paragraphs 1.6 and 1.7 on page 1 of the plan.

E. CONCLUSION

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

F. BACKGROUND REFERENCES

None.

Appendices/Attachments: Internal Audit Plan 2019/20

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

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 25 March 2019



WEST LOTHIAN COUNCIL

AUDIT RISK AND COUNTER FRAUD UNIT

INTERNAL AUDIT PLAN

2019/20



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INTRODUCTION

Independence and Objectivity

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

Risk Based Audit Plan

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

Conflicts of Interest

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

Resources and Sources of Assurance

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

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

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

Proper Administration of Financial Affairs

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

Progress Reporting

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

Kenneth Ribbons

Audit, Risk and Counter Fraud Manager

25 March 2019

PLANNED AUDIT ACTIVITIES 2019/20

Risk Based Audit		Days
• Carry forward from 2018/19	10	
• Audit work 2019/20	325	
• Follow up of previous recommendations	25	
• External organisations	<u>70</u>	
		430
Reactive Work		30
Other Work		
• Carbon Reduction Commitment Energy Efficiency Grant Scheme	10	
• Climate Change Declaration	10	
• Leader Funding	15	
• Governance and Risk Board / Governance Working Group	<u>10</u>	
		<u>45</u>
Total		<u><u>505</u></u>
Resources		Days
Total Resources		780
Less annual leave / public holidays		<u>111</u>
Net resources		669
Productive audit time		505
Productive time as a percentage of net resources		75%

WEST LoTHIAN COUNCIL: RISK BASED AUDIT PLAN 2019/20

Key to Audit Priorities	
Priority	Description
1	High current risk as per the corporate risk register
2	Original risk score 25 (high) as per the corporate risk register
3	Other area of risk

Service	Audit Topic	Risk Register	Risk	Summary Description	Priority	Estimated Days
Council Wide	West Lothian Leisure	WLC031	Failure to deliver financial plan 2019/20 to 2022/23 with a resultant financial impact on the council	To review the processes within the council for monitoring the progress of West Lothian Leisure in implementing its financial plan.	1	15
	Fire Safety	WLC039	Death or injury due to fire within operational buildings	To review the controls in place within the council for mitigating this risk.	2	20
	Business Continuity Planning	WLC005	Disaster or incident - failure to maintain critical services	To review the controls in place for mitigating this risk. It is proposed that this review be undertaken by our colleagues in Falkirk Council.	2	5

Service	Audit Topic	Risk Register	Risk	Summary Description	Priority	Estimated Days
	Information Security	WLC007 / WLC032	Failure to implement effective information security policy and procedures / Failure to meet the requirements of the new data protection legislation (GDPR)	Follow up of previous audit work in relation to the process for managing information security breaches.	3	15
	Employee Code of Conduct	WLC020	Failure to prevent and detect fraud / theft	To ensure that procedures are in place for the comprehensive and accurate recording of employee disclosures under the Code.	3	15
	Councillors' Code of Conduct	WLC021	Failure to comply with Councillors Code of Conduct	To ensure that robust procedures are in place for advising members of the requirements and that procedures are in place to facilitate the accurate recording of members' interests.	3	5
Corporate Services	Procurement	CPU001	Failure to deliver procurement plan	To review the controls in place for mitigating this risk.	1	15
Education Services	Violence to Staff	ED004/ ED005	Mainstream Schools and Additional Support Needs (ASN) schools and units: attacks on or violence towards staff	To review the controls in place for mitigating this risk.	1	20

Service	Audit Topic	Risk Register	Risk	Summary Description	Priority	Estimated Days
	School Security	ED029	Unauthorised access to a school	To review the controls in place for mitigating this risk.	3	20
Finance and Property Services	Contributions	WLC022	Failure to achieve best value.	To review the process for conducting financial assessments in relation to contributions for non-residential adult social care.	3	20
Housing, Building and Customer Services	Fire Safety	HCBS011	Death or injury due to house fire	To conduct a high level review of the procedures in place for mitigating this risk and to follow up on previous internal audit work.	2	10
	Common Housing Register	HCBS003	Failure to comply with allocations policy	To review the processes for receiving applications and allocating houses.	3	20
	House Repairs	HCBS009	Theft, fraud and corruption	To review the processes for authorising reactive repairs to council houses to ensure that this is done in accordance with approved council policies and procedures.	3	20

Service	Audit Topic	Risk Register	Risk	Summary Description	Priority	Estimated Days
Operational Services	Fleet / Driver Risks	OPSHQ 005 / WLC027	Loss of operating licence for all vehicles over 3.5 Tonnes GVW / Driver risk - injury or death to members of the public	To review the controls in place within the council for mitigating these risks, and to follow up on the Gallagher Basset risk consultant fleet review.	2	15
	Public Transport	PTS003	Failure to adhere to council Standing Orders for procurement and procurement procedures.	To undertake a review of procurement procedures with in the Public transport Unit.	3	20
Social Policy	Personal Safety	CF001 / SP002	Assault or injury to staff by service user within children's residential houses / Assault or injury to staff in wider Social Policy service areas	To following up on the Gallagher Bassett risk consultant review of personal safety in Social Policy.	1	10
	Community Payback Orders	WLC020	Failure to prevent and detect fraud or theft	To follow up on previously agreed improvement actions and to ensure that effective processes in place.	3	20
	Contract Monitoring - Care at Home	SP008 / WLC022	Harm to service user by contractor's employee / Failure to achieve best value.	To follow up on previously agreed improvement actions and to ensure that effective monitoring processes are in place in relation to care at home service provision.	3	20

Service	Audit Topic	Risk Register	Risk	Summary Description	Priority	Estimated Days
	Residents' Property	WLC020	Failure to prevent and detect fraud or theft	To conduct a review of the processes in place for ensuring that residents' property, including cash, is held securely.	3	20
	Looked After Children	WLC022	Failure to achieve best value.	To review the processes for ensuring payments to foster and kinship carers are complete and accurate. To include a review of the operation of the Softbox system.	3	20
TOTAL						325

EXTERNAL ORGANISATIONS

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

APPENDIX

METHODOLOGY FOR DEVELOPING THE RISK BASED INTERNAL AUDIT PLAN

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



AUDIT COMMITTEE

COUNTER FRAUD PLAN 2019/20

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of the 2019/20 counter fraud plan.

B. RECOMMENDATION

It is recommended that the Audit Committee approves the 2019/20 counter fraud plan.

C. SUMMARY OF IMPLICATIONS

I	Council Values	Being honest, open and accountable. Making best use of our resources. Working in partnership.
II	Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	Investigations into allegations of fraud and corruption are undertaken in accordance with the council's Anti-Fraud and Corruption Policy as well as the council's Whistleblowing Policy.
III	Implications for Scheme of Delegations to Officers	None.
IV	Impact on performance and performance Indicators	Effective counter fraud arrangements are an essential component of effective performance management.
V	Relevance to Single Outcome Agreement	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
VI	Resources - (Financial, Staffing and Property)	The plan is based on the available staff resource.
VII	Consideration at PDSP	None.
VIII	Other consultations	Audit, Risk and Counter Fraud staff.

D. TERMS OF REPORT

The Counter Fraud Plan 2019/20 sets out the work to be undertaken by the Counter Fraud Team from 1 April 2019 to 31 March 2020 and is attached as an appendix to this report.

The main elements of the plan are to:

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

E. CONCLUSION

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

F. BACKGROUND REFERENCES

None.

Appendices/Attachments: Counter Fraud Plan 2019/20

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

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 25 March 2019

DATA LABEL: PUBLIC

Counter Fraud Plan 2019/20

Item	Task	Detail	Target Date
1.	Whistleblowing Hotline	<p>Monitor whistleblowing hotline and mailbox, maintain a record of all whistleblowing referrals, risk assess, prioritise and investigate as appropriate.</p> <p>Identify and report on any weaknesses in internal control and make recommendations for improvement.</p> <p>Raise awareness of the types of whistleblowing referrals dealt with by the Counter Fraud Team and the internal control weaknesses identified to both senior and service management.</p>	Ongoing during 2019/20
2.	Counter Fraud Investigations	<p>Maintain a record of all referrals, risk assess, prioritise and investigate as appropriate.</p> <p>Identify and report on any weaknesses in internal control and make recommendations for improvement.</p> <p>Raise awareness of the types of referrals dealt with by the Counter Fraud Team and the internal control weaknesses identified to both senior and service management.</p>	Ongoing during 2019/20
3.	National Fraud Initiative (NFI)	<p>Co-ordinate the 2018/19 National Fraud Initiative (NFI) data matching exercise. Provide advice and assistance to services where required and monitor the investigation of data matches by services during 2019.</p> <p>Report on progress of NFI to the Audit Committee in both the half year and year end Counter Fraud reports.</p>	Ongoing during 2019/20

Item	Task	Detail	Target Date
4.	Anti-Fraud and Corruption Policy	Review the policy and revise it as necessary prior to submission to Partnership and Resources PDSP and Council Executive for approval. The policy will then be submitted to the Audit Committee for information.	30 September 2019 (for approval)
5.	Counter Fraud Procedures	Review existing counter fraud procedures for effectiveness and update as required. Keep up to date with new developments such as changes in legislative requirements and best practice and update procedures where required.	31 March 2020
6.	Online Training – Fraud and Whistleblowing Awareness	<p>Roll out new online anti-fraud and whistleblowing training. Completion of the new online training module will increase staff awareness of the following:</p> <ul style="list-style-type: none"> • The council's Anti-Fraud and Corruption Policy and Whistleblowing Policy. • How fraud happens and the types of fraud relevant to West Lothian Council. • How staff can report their concerns to the Counter Fraud Team. • What measures staff and services can take to deter fraud. 	Ongoing during 2019/20
7.	Counter Fraud Advice and Information	<p>Liaise with services to disseminate counter fraud advice and information.</p> <p>Respond to daily Data Protection Act (DPA) requests and ongoing Data Washing requests from Police Scotland.</p> <p>Respond to ad hoc Data Protection Act (DPA) requests from other partners and agencies (e.g. other Local Authorities).</p>	Ongoing during 2019/20



AUDIT COMMITTEE

EXTERNAL AUDIT PLAN 2018/19

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of the external auditor's 2018/19 annual audit plan.

B. RECOMMENDATION

It is recommended that the Audit Committee notes the external auditor's 2018/19 annual audit plan.

C. SUMMARY OF IMPLICATIONS

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

D. TERMS OF REPORT

In May 2016, the Accounts Commission appointed Ernst & Young (EY) as the council's external auditor for the five year period to 2020/21. EY's annual plan, which is appended, sets out the work they propose to undertake in relation to the financial year ending 31 March 2019.

Section one of the plan sets out the audit context. It identifies a number of risk areas currently impacting the public sector in Scotland:

- EU withdrawal;
- the changing landscape for public financial management;
- dependency on key suppliers;
- care income, financial assessments and financial guardianship;
- openness and transparency.

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

- risk of fraud in income and expenditure recognition;
- misstatement due to fraud or error.

EY have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures, as follows:

- valuation of property, plant and equipment;
- pension liability and asset valuation;
- national loans fund accounting.

Section three of the plan sets out the four dimensions of public sector audit which comprise the wider scope audit work i.e. financial sustainability, financial management, governance and transparency, and value for money. The wider scope audit work, and the judgements and conclusions reached in these areas, contribute to the overall assessment and assurance on Best Value. EY's annual audit continues to focus on aspects of Best Value over the full five year audit appointment and this section includes an indicative high level five year Best Value plan. This section also includes risks identified by the auditor through the planning process that relate to the wider scope dimensions.

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

E. CONCLUSION

EY's annual audit plan sets out their approach to their 2018/19 audit.

F. BACKGROUND REFERENCES

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

Appendices/Attachments: EY Annual Audit Plan 2018/19

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

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 25 March 2019

West Lothian Council

Annual Audit Plan Year ending 31 March 2019

Audit Committee – 25 March 2019

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About this report

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

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

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

Complaints

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

Purpose of this report

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

This Annual Audit Plan, prepared for the benefit of Council management and the Audit Committee, sets out our proposed audit approach for the audit of the financial year ending 31 March 2019, the third year of our appointment. In preparing this plan, we have updated our understanding of the Council through planning discussions with management, review of relevant documentation and committee reports, and our general understanding of the environment in which the Council is currently operating.

A key objective of our audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, our observations around where the Council employs best practice and where processes can be improved. We use these insights to form our audit recommendations to support the Council in improving its practices around financial management and control, as well as around key aspects of the wider scope dimensions of audit.

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

Scope and responsibilities

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

Financial statement audit

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

- whether they give a true and fair view of the financial position of the Council and its group as at 31 March 2019 and its expenditure and income for the year then ended; and
- whether they have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom.

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

Best Value and wider scope audit

Our responsibilities extend beyond the audit of the financial statements. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider scope public audit, as well as an assessment around the Council's arrangements for securing Best Value. Our audit work over the wider scope audit dimensions compliments our financial statements audit.

Materiality

Planning materiality £14.2 million	Materiality has been set at £14.2 million, which represents 2% of the prior years gross expenditure on provision of services. It excludes the 'gross-up' of IJB income and expenditure, and internal recharges.
Tolerable Error £10.6 million	Tolerable error has been set at £10.6 million, which represents 75% of materiality. This reflects our prior year audit experience and the reduction in volume of audit adjustments arising in the 2017/18 financial statements.
Summary of uncorrected differences £0.25 million	We will report all uncorrected misstatements relating to the primary financial statements greater than £0.25 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

Executive summary (continued)



Key contacts

Stephen Reid, Partner
sreid2@uk.ey.com

Rob Jones, Senior Manager
rjones9@uk.ey.com

Flo Barrett, Senior
fbarrett@uk.ey.com

Ernst & Young LLP, 144 Morrison Street, Atria One, Edinburgh EH3 8EX

Independence

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

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

Financial statements audit

Risk / area of focus	Risk identified	Change from PY	Details
Risk of fraud in revenue and expenditure recognition	Fraud risk / Significant risk	No change in risk or focus	In accordance with ISA (UK) 240, we respond to the presumed fraud risk in respect of improper income recognition. We extend our work to consider the recognition of expenditure, in accordance with Practice Note 10, issued by the Financial Reporting Council, as applicable to public sector audit.
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud due to the ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Valuation of property, plant and equipment	Inherent risk	No change in risk or focus	The fair value of property, plant and equipment (PPE) represent significant balances in the Council's financial statements. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
Pension liability and asset valuation	Inherent risk	No change in risk or focus	Accounting for Local Government Pension Scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts, the assumptions underlying fair value estimates, and the valuation of the Council's share of scheme assets at the yearend.
National loans fund accounting	Inherent risk	New area of audit focus	The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 came into force on 1 April 2016 and replaced the provisions in the Local Government (Scotland) Act 1975 in respect of the loans fund with a prudent approach. The Cabinet Secretary for Finance has announced an intention to amend the regulations to allow councils to adopt the new prudent approach for pre-2016 advances.

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

Wider scope audit

Audit dimension	Risk identified	Change from PY	Details
Financial management	No specific risk focus	No change in risk or focus	<p>For the year to December 2018, the Council forecast expenditure of £407.3 million against a budgeted expenditure of £407.1 million.</p> <p>We will continue to consider the Council's budgetary processes for 2018/19 and beyond, including financial capacity and the internal control and reporting environment in place through the financial year.</p>
Financial sustainability	Wider scope focus area	No change in risk or focus	<p>We concluded in our Annual Audit Report for 2017/18 that the Council continues to demonstrate good practice in forward financial planning, and that members and officers responded to findings in the 2017 BVAR. This was within the context of the ongoing financial challenge facing all local authorities, and the need for continued member and officer focus in delivering challenging levels of savings. As such, we have identified financial sustainability as a wider scope focus area for the 2018/19 audit.</p> <p>Our work will focus on the detail of the Council's financial plans and our assessment of the robustness of the budget strategy to respond to the challenges faced.</p>
Governance & transparency	No specific risk focus	No change in risk or focus	<p>Our work for the year will consider:</p> <ul style="list-style-type: none"> ➤ Progress against prior year audit recommendations from both internal and external audit, significant findings identified and the work done to address issues identified. ➤ Leadership and decision making in the year, including engagement with key stakeholders, quality of reporting and information provided to decision makers, and evidence of effective challenge and scrutiny by those charged with governance. ➤ Reporting arrangements to committees during the year, and arrangements for ensuring transparency across the Council.
Value for Money	No specific risk focus	No change in risk or focus	<p>Our work for the year, in conjunction with our work around financial sustainability and governance and transparency, will focus around the Council's corporate plan delivery and its response to the Accounts Commission's direction around statutory performance information.</p>

1. Audit context

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

Local government environment

The Accounts Commission published their Local government in Scotland: Financial overview 2017/18 report in November 2018. Part 4 of this report focused on the financial outlook facing councils. The Commission's key message was that the environment remains challenging, with further real-terms reductions in funding and a range of cost and demand pressures on budgets. The Commission notes that many councils are in the process of transformational change, and have produced medium term financial plans, however less than 50%, have significant plans beyond the next 5 years.

In total, councils approved planned budget savings of £75 million in setting budgets for 2018/19 along with the use of £71 million of unearmarked reserves. The Commission were pleased to note that the number of councils budgeting to use unearmarked reserves in 2018/19 has reduced from 23 to 18.

Other key messages were:

- Councils are expected to manage smaller budget gaps in 2018/19, with all 32 councils selecting to increase council tax by 3%.
- There are no councils where the budgeted use of reserves is a critical issue over the next three years.
- The impact of EU withdrawal is unclear, but councils are required to identify and manage the risks.

The Accounts Commission also completed its Local government in Scotland; challenges and performance report. It commented on the challenging environment facing local government with uncertainty around Brexit and the pace of reform required in the sector. Transformational change is now seen as an essential part of councils' agenda to address funding gaps and deliver more services with less resources. The report made recommendations around ensuring forward looking approaches, clarity of priorities and plans and better working with communities.

In 2018, Audit Scotland also conducted its second performance audit of Health and Social Care Integration, with its findings published in November 2018. The report contained a number of key messages, including acknowledging that integration joint boards work in a challenging environment, but noting that more needs to be done by the partners in respect of collaborative working and leadership. There is a need for integrated, long term financial planning which is focused on providing the best outcomes for those who need support, as well as an improvement to strategic planning.

As part of our work around the governance and transparency and value for money dimensions of wider scope, we will review the Council's arrangements for considering all national overview and performance reports issued in the year, including evaluating the findings and implementing recommendations as appropriate.

Scrutiny

The Local Scrutiny Plan April 2018 to March 2019 set out the planned scrutiny activity in the Council during the financial year 2018/19. The plan was based on a shared risk assessment undertaken by a local area network (LAN), comprising representatives of all the scrutiny bodies who engage with the Council.

The conclusion of the shared risk assessment for 2018/19, was that no significant risks were identified that would require specific scrutiny by members of the LAN in the year. However, financial sustainability was highlighted as an ongoing area of challenge for the Council, and that this would be reported by the appointed auditor. Our findings in this respect were included in our 2017/18 Annual Audit Report on the Council and form the basis of our risk assessment for the 2018/19 external audit.

As the appointed auditor of Council we act as the LAN-lead for the Council SRA. Consideration of the 2019/20 shared risk assessment by the LAN is ongoing.

1. Audit context (continued)

Headwinds in the public sector

Within the 2018/19 audit planning guidance, Audit Scotland identified a number of risk areas currently impacting the public sector in Scotland. We have outlined these, and our proposed response, below.

EU Withdrawal	Continuing uncertainty exists around the detailed implications for the UK, and Scotland around EU withdrawal. While this continues, it is important for all public sector bodies to remain aware of, and consider the implications for them in areas such as funding, workforce and regulation.
Changing landscape for public financial management	Scottish public finances are fundamentally changing, with significant tax-raising powers, new powers over borrowing and reserves, and responsibility for 11 social security benefits worth over £3 billion a year. This provides the Scottish Parliament with more policy choices but also means that the Scottish budget is subject to greater volatility, uncertainty and complexity.
Dependency on key suppliers	It has become clear that the collapse of Carillion has had a significant impact across the public sector. This has brought into focus the risk of key supplier failure, including the risk of underperformance in suppliers that are experiencing difficult trading conditions. Bodies should review their relationships with suppliers, whilst remaining conscious that suppliers can provide services under different names, and as such the aggregate exposure should be considered.
Care income, financial assessments and financial guardianship	<p>The experience of a few local government audits indicates there may be wider issues with the systems and processes for collecting care income, undertaking financial assessments on individuals receiving care and financial guardianship. In some cases, responsibility for financial assessments on those receiving care has transferred from social care to finance, and this has revealed issues with backlogs of financial assessment and under-recovery of care charges over long periods (more than five years).</p> <p>Instances have also been identified where council employees act as financial guardians for individuals. This may give rise to a potential conflict of interest when finance officers are in a senior position and the council is issuing invoices to a person for their care and the officer is also acting as financial guardian for the individual.</p>
Openness and transparency	There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding and scrutiny. Openness and transparency can be improved by having council and committee papers publicly available, explanations or insights as to why business is conducted in private, and increased disclosures through the annual report. This is a particular area of consideration in respect of the Council's financial statements and its disclosures around the front end narrative of the financial statements, and the impact on the public of how it uses public money.

Our audit response:

We will engage with management across the Council to understand their preparation and consideration of these areas, and others identified by the Council. In particular we will consider how the Council structures its risk management arrangements to capture and respond to risk identification. Our consideration and discussions around these areas will be reflected in our reporting of the wider scope dimensions of the Council in our Annual Audit Report.

2. Financial statements and accounting

2. Financial statements and accounting

The Council's Annual Accounts enables the Council to demonstrate accountability for, and its performance in the use of its resources. They are prepared in accordance with proper accounting practice, which is represented by the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom.

Audit opinion

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

- whether they give a true and fair view of the financial position of the Council and its group as at 31 March 2019 and its expenditure and income for the year then ended; and
- whether they have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom.

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

Audit approach

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Substantive tests of detail of transactions and amounts. For 2018/19 we plan to follow a predominantly substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.
- Maintaining auditor independence.

2. Financial statements and accounting

Materiality

For the purposes of determining whether the financial statements are free from material error, in accordance with ISA (UK) 320 we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements.

Gross expenditure on provision of services, excluding the 'gross-up' of income and expenditure for the Integration Joint Board = £312.5 million

**Planning materiality
£14.2 million**

Planning materiality (PM) - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements. For planning purposes, materiality for 2018/19 has been set at £14.2 million (2017/18: £13 million). This represents 2% of the Council's prior year gross expenditure on provision of services excluding IJB gross-up of income and expenditure. We have derived this figure following our assessment of risks factors impacting the Council in 2018/19.

**Tolerable Error
£10.6 million**

Tolerable error (TE) - materiality at an individual account balance, which is set so as to reduce to an acceptably low level that the aggregate of uncorrected and undetected misstatements exceeds PM. We have set this at £10.6 million (2017/18: £6.5 million) which represents 75% of planning materiality (2017/18: 50%). This increased level reflects our prior year audit experience and the reduction in volume of audit adjustments arising in the 2017/18 financial statements.

**Summary of Audit Differences
£0.25 million**

Summary of Audit Differences (SAD) Nominal amount - the amount below which misstatements whether individually or accumulated with other misstatements, would not have a material effect on the financial statements. The Code requires that auditors report at no more than £0.25 million. We have therefore set the SAD nominal amount, in line with the Code, at £0.25 million (2017/18: £0.2 million).

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

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

We consider all accounts and disclosures within the financial statements individually to ensure an appropriate materiality is used. In determining their materiality, we consider both the quantitative and qualitative factors that could drive materiality for the users of the financial statements. Accordingly we determine it is appropriate to use lower levels of materiality for some areas of the financial statements, including:

- Remuneration report - given the sensitivity around the disclosure of senior staff remuneration we apply a materiality of £1,000 to our audit consideration around the remuneration report and related disclosures.
- Related party transactions - related party transactions are considered material when they are material either party in the transaction. As such, we do not apply a specific materiality to related party audit work but consider each transaction individually.

2. Financial statements and accounting



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

Significant risk – risk of fraud in income and expenditure recognition

What is the risk?	Our identified response to the risk
<p>Under ISA 240 there is a presumed risk that income may be misstated due to improper recognition of income. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. Based on the nature of the income received and expenditure incurred by the Council, we consider the risks around income and expenditure recognition through:</p> <ul style="list-style-type: none"> ➤ Incorrect income and expenditure cut-off recognition to alter the Council's financial position around the financial yearend. ➤ Incorrect recognition applied to grant income with performance conditions. ➤ Incorrect capitalisation of revenue expenditure. <p>Misstatements that occur in relation to the risk of fraud in income and expenditure recognition have been identified as having the potential to affect the following income and expenditure accounts (estimates based on the 2017/18 financial statement balances):</p> <ul style="list-style-type: none"> ➤ Other Income: £236 million ➤ Non-payroll Expenditure : £332 million <p>In line with auditing standards, we rebut the risk around income and expenditure where appropriate depending on the nature of the account. Accordingly, we have rebutted the risk of improper recognition of income in respect of core grant funding from the Scottish Government, as well as in respect of council tax and non-domestic rate income. With regards to expenditure we have rebutted the risk of improper recognition of payroll, depreciation, and financing and investment expenditure.</p>	<ul style="list-style-type: none"> ➤ Review and challenge management on any accounting estimates on income or expenditure recognition for evidence of bias. ➤ Focused and extended substantive testing of related income and expenditure transactions where we have identified a significant risk. ➤ Testing of income and expenditure cut-off treatment around the yearend at a lower threshold and across an extended period. ➤ Review a sample of expenditure transactions recorded in the ledger and payments made from bank accounts post year-end and confirm that the associated expenditure has been recorded in the correct period. ➤ Assess and challenge manual adjustments / journal entries by management around the yearend for evidence of management bias and evaluation of business rationale and supporting evidence. ➤ Develop a testing strategy to test material revenue and expenditure streams, including testing revenue and capital expenditure to ensure it has been correctly classified.
<ul style="list-style-type: none"> ➤ Significant risks identified in the audit relate to the risk of fraud in income and expenditure recognition. We also perform procedures in all audits to respond to the risk of misstatement due to fraud or error caused by management override of controls. ➤ We will report our findings in these areas to you within our 2018/19 Annual Audit Report. 	

2. Financial statements and accounting



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

Significant risk - misstatement due to fraud or error

What is the risk?

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement. Beyond the noted risk around recognition of income and expenditure, we have not identified a specific account where the risk of management override is higher than generally throughout the financial statements.

Our identified response to the risk

- Identifying fraud risks during the planning stages.
- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- Specific focus on the accounting for any identified key areas of judgement and estimates in the financial statements and significant and unusual transactions.

2. Financial statements and accounting



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

Other areas of audit focus

What is the risk?

Valuation of property, plant and equipment

The fair value of PPE and investment properties (IP) represent significant balances in the Council's financial statements (2017/18 PPE totalled £1.7 billion) and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded on the Council's balance sheet.

Our identified response to the risk

We will:

- Assess the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
- Involve EY internal specialists as appropriate to review the work performed by the Council's valuers.
- Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre).
- Review the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP.
- Test assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated.
- Examine changes to useful economic lives as a result of the most recent valuation.
- Test accounting entries have been correctly processed in the financial statements.

- The valuation of property, plant and equipment is assessed as an inherent risk. Management involves specialists in the preparation of this accounting valuation and estimate. We utilise our own specialists, as appropriate, to support the core audit team in the performance of audit procedures on this balance.

2. Financial statements and accounting

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

Other areas of audit focus

What is the risk?	Our identified response to the risk
<p>Pension liability and asset valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the West Lothian Pension Fund. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council.</p> <p>The Council's net pension fund deficit is a material estimated balance. At 31 March 2018 this totalled £202 million. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>The most material adjustment to the prior year financial statements related to the year end pension liability, being understated by £16.2 million. While the draft financial statements were a true representation of the estimate at the time of preparation, new information materialised prior to finalising the financial statements in respect of the valuation of pension assets, which required updating to the financial statements.</p>	<p>We will:</p> <ul style="list-style-type: none"> ➤ Liaise with the auditor of Lothian Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council and confirm joint assurances in respect of employer and employee contributions in the year. ➤ Assess the work of the actuary (Hymans), including the assumptions they have used by relying on the work of PWC, appointed for all Local Government sector bodies to consider actuarial assumptions used at the yearend, and consider any relevant reviews by the EY actuarial team. ➤ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. ➤ Require an updated IAS19 report in July to ensure that there have been no material movement in the value of pension fund assets between the initial IAS19 report, and the signing of the financial statements.
<p>National loans fund accounting</p> <p>The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 came into force on 1 April 2016 and replaced the provisions in the Local Government (Scotland) Act 1975 in respect of the loans fund with a prudent approach.</p> <p>Guidance provided from Audit Scotland sets out the accounting practices for administering a loans fund and:</p> <ul style="list-style-type: none"> ➤ provides options for the repayment of loans fund advances made from 1 April 2016 under the new prudent approach ➤ reflecting the current legislative position, requires all pre-2016 advances to continue to be repaid as if the 1975 Act had not been repealed (the statutory method). <p>The Cabinet Secretary for Finance has announced an intention to amend the regulations to allow councils to adopt the new prudent approach for pre-2016 advances.</p>	<p>Audit Scotland has released updated clarifications that councils are required to observe the accounting practices applicable to the year for which their financial statements are prepared. For 2018/19, applicable proper accounting practices are those in force at 31 March 2019.</p> <p>We are aware that the Council has sought external legal advice which concludes pre-2016 advances are applicable for adjustment under the new regulations. We will review management's proposed arrangements to ensure they are in compliance with the required statutory position at 31 March 2019.</p>
<ul style="list-style-type: none"> ➤ Pension liability and asset valuation is assessed as an inherent risk. Management involves specialists in the preparation of this accounting valuation and estimate. We utilise our own specialists, as appropriate, to support the core audit team in the performance of audit procedures on this balance. ➤ Audit Scotland has released clarifications on proper accounting practice in respect of national loans fund accounting. We will review management's proposed arrangements. 	

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

Other audit considerations

Changes to the Accounting Code of Practice in 2018/19

While there are no significant changes to the 2018/19 Accounting Code of Practice, we will engage early with management to consider their assessment and incorporation of any changes to the 2018/19 Accounting Code which affects the Council's financial statements.

We have requested management provide an impact assessment in relation to the implementation of IFRS 9 and 15 which are new requirements in the Code this year. While the introduction of IFRS 16 accounting standard has been postponed, we will consider the progress being made by the Council during the year in preparing for the introduction of this new standard and the degree of risk around the readiness for the implementation of the changes in accounting for leases as a result of IFRS 16. We will also assess appropriateness of disclosures in the 2018/19 financial statements regarding new accounting standards effective from 2019/20.

Data analytics

Where possible and appropriate, we will use our bespoke data analysers to enable us to capture whole populations of your financial data, in particular covering journal entries and payroll transactions. These analysers help identify specific exceptions and anomalies within populations of data to focus substantive audit tests more effectively than traditional audit sampling.

We have started the process of obtaining the financial data from both the general ledger and payroll system for 2018/19 as part of our interim testing arrangements. We will report the findings of our work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee through the yearend audit reporting process.

Use of specialists

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

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

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

Internal audit

We will review the internal audit plan and the results of internal audit's work, including the discussion of audit findings at the Audit Committee and management's response to findings. We will reflect the findings from internal audit reports, together with reports from any other work completed in the year, in our plan for the audit, where they raise issues that could have an impact on the financial statements or our wider responsibilities.

Other audit considerations – group financial statements

Group financial statements

The Council has a number of non-consolidation interests in other entities. For the purposes of consolidation and incorporation within the Group Accounts, the Council recognised in their 2017/18 audited accounts that West Lothian Leisure has become a company limited by guarantee and, due to changes in the structure through the company's articles of association, should be accounted for as a subsidiary from 1st of April 2017.

Management has assessed that it exerts significant influence but not control over Lothian Valuation Joint Board, therefore this interest is deemed to be an associate. The West Lothian Integration Joint Board (IJB) and West Lothian Recycling Ltd. are identified as joint ventures. These entities are consolidated in accordance with the requirements of the Code.

The only significant component by size is the Council, which accounts for 89% of consolidated gross expenditure, with the IJB accounting for 8% of this expenditure. There have been no specific risks identified that may indicate a component is significant by risk, as the IJB does not affect the transactions as such, only the nominal funding agreement in and out of the IJB.

We have been appointed as auditor to the West Lothian integration Joint Board and will report separately on our audit of that entity. We will also discuss with management their updated assessment in respect of other entities where the Council has a relationship, but it has been assessed that consolidation has not been required.

3. Wider scope audit risks

3. Wider Scope Audit Risks

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

Wider scope audit

Our wider scope audit work, and the judgements and conclusions reached in these areas, contribute to the overall assessment and assurance on the achievement of Best Value. The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. Best Value will be assessed over the five year audit appointment, as part of the annual audit work.

In addition, a Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this five year period. The BVAR programme included the publication of a BVAR report for the Council in 2017. Our annual audit continues to focus on aspects of Best Value over the full five year audit appointment. In line with the expectations of the Accounts Commission, we will report in our Annual Audit Report on our findings around the progress made by the Council in securing Best Value. Judgements in respect of Best Value are formed from the findings in respect of each of the four dimensions.

Our indicative high-level five year Best Value Plan is set out below. This is subject to review and is refreshed annually, based on our risk assessment process. Further revisions may be made as priorities change or emerging risks arise.

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

Strategic Audit Priorities

In undertaking our work in respect of the wider scope audit dimensions, we have specific regard to the Accounts Commission's strategic audit priorities. The following areas are of particular focus for consideration through wider scope and best value work and will be considered during 2018/19 through our wider scope and best value reporting:

- Having clear priorities with a focus on outcomes, supported by effective long term planning.
- Demonstrating the effective appraisal of options for changing how services are delivered in line with their priorities.
- Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future.
- Empowering local communities and involving them in the design and delivery of local services and planning for their local area.
- Reporting the council's performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes.

3 Wider Scope Audit Risks

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

Audit dimension	Risk assessment	Rationale and response
Financial management considers the effectiveness of financial management arrangements, including whether there is sufficient financial capacity and resources, sound budgetary processes and whether the control environment and internal controls are operating effectively.	No specific additional audit focus	<p>In our prior year Annual Audit Report, we concluded that the Council had demonstrated good financial control of the in-year budget, budget monitoring reporting is clear and accurately forecasts the out-turn position, and that the importance of good financial control is clearly understood across the Council.</p> <p>For the year to December 2018, the Council forecast expenditure of £407.3 million against a budgeted expenditure of £407.1 million. We will continue to consider the Council's budgetary processes for 2018/19 and beyond, including financial capacity and the internal control and reporting environment in place through the financial year.</p>
Financial sustainability considers the medium and longer term outlook to determine if planning is effective to support service delivery. This will focus on the arrangements to develop viable and sustainable financial plans.	Wider scope focus area	<p>We concluded in our Annual Audit Report for 2017/18 that the Council continues to demonstrate good practice in forward financial planning. Its five year revenue budget strategy covered 92% of the budget reduction measures required to meet its £65.3 million budget gap to 2022/23. We also noted that members and officers responded to findings in the 2017 BVAR. This was within the context of the ongoing financial challenge facing all local authorities, and the need for continued member and officer focus in delivering challenging levels of savings. As such we have identified financial sustainability as a wider scope focus area for the 2018/19 audit.</p> <p>Our work will focus on the detail of the Council's financial plans and our assessment of the robustness of the budget strategy to respond to the challenges faced.</p>

Best Value Assurance Reporting

As outlined on the previous page, an area of Best Value focus in 2018/19 is the Council's arrangements around financial and service planning. Linked to our consideration of financial sustainability, as well as governance and transparency and value for money, we will consider:

- how effectively the Council's longer term financial plans are aligned to its priorities;
- how detailed budgets align to operational delivery plans;
- what training and support is available to non-finance members;
- how decisions around budgets are made in conjunction with service delivery implications; and
- how stakeholders are engagement in planning, from members through to services and the wider public.

We will report on our findings as part of our wider scope reporting in our Annual Audit Report.

3 Wider Scope Audit Risks (continued)

Audit dimension	Risk assessment	Rationale and response
<p>Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<p>No specific additional audit focus</p>	<p>In our 2017/18 Annual Audit Report, we concluded that the Council has an effective governance structure through committee meetings, the scheme of delegation and standing orders. We also reported that the Council had responded to findings through the BVAR to enhance its arrangements for effective scrutiny, challenge and transparency on decision making.</p> <p>Our work for the year will consider:</p> <ul style="list-style-type: none"> ➤ Progress against prior year audit recommendations from both internal and external audit, including the Council's arrangements for ensuring these are monitored and reported on a routine basis. ➤ Internal audit arrangements during 2018/19, including significant findings identified and the work done to address issues identified. ➤ Leadership and decision making in the year, including engagement with key stakeholders, quality of reporting and information provided to decision makers, and evidence of effective challenge and scrutiny by those charged with governance. ➤ Reporting arrangements to committees during the year, and arrangements for ensuring transparency across the Council.
<p>Value for money considers whether value for money can be demonstrated in the use of resources. This includes the extent to which there is an alignment between spend, outputs and outcomes delivered and that there is a clear focus on improvement.</p>	<p>No specific additional audit focus</p>	<p>We reported in 2017/18 that the Council has a clear culture of improvement and a commitment to self-assessment of its performance, to ensure that services remain focussed on improvement. There is a clear alignment from the Corporate Plan to the supporting corporate strategies which underpin delivery of the Council's objectives. Council services continue to perform well compared to other councils.</p> <p>Our work for the year, in conjunction with our work around financial sustainability and governance and transparency, will focus around the Council's corporate plan delivery and its response to the Accounts Commission's direction around statutory performance information.</p> <p>We will also consider how the management is considering the results of national reports, such as the Accounts Commission's overview and performance reports, including how it considers and actions any relevant recommendations.</p>

Best Value Assurance Reporting

As outlined on the previous page, an area of Best Value focus in 2018/19 is the Council's arrangements around performance and outcomes. Consideration will include:

- how Council services are performing;
- how well the Council works to ensure focus on its customers and wider stakeholders; and
- how the Council monitors and assesses its own performance on an ongoing basis.

4. Other work; timing and deliverables; fees

4. Other audit responsibilities

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

Other audit responsibilities

Following the Public Pound

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

Statutory Performance Information

Local authorities have a responsibility, under their Best Value duty, to report performance to the public. One of the Accounts Commission's Strategic Audit priorities is 'the quality of council public performance reporting to help citizens gauge improvement'. Consequently, over the term of our appointment, we will focus on the Council's performance reporting arrangements and integrate this with our wider planning activity. In 2018/19 we will consider the reporting in place against the Accounts Commissions updated SPI direction issued in December 2018.

National Fraud Initiative and fraud returns

All local authorities are required to participate in the 2018/19 National Fraud Initiative (NFI). Councils submitted data (as per the instructions) in October 2018 and received matches for investigation in January 2019. Audit Scotland expect bodies to investigate all recommended matches plus further matches based on findings and the risk of error or fraud. Match investigation work is to be largely complete by 30 September 2019 and the results recorded on the NFI system.

The role of Auditors is to monitor their audited bodies' participation and progress during 2018/19 and into 2019/20 and, where appropriate, include references to NFI in their annual audit reports for both years. We will complete an NFI audit questionnaire by the deadline of 30 June 2019 and assess whether the Council had adequate arrangements in place to respond to the NFI and undertake sufficient investigation of matches identified. The information provided by auditors will be used for Audit Scotland's NFI report to be published in Summer 2020.

Audit Scotland - National Study Programme

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

In 2019, Audit Scotland is continuing its programme of performance reports, including reporting around city finance deals and its annual local government overview report. As appointed auditors we will be required to support in the provision of information from the Council for the preparation of these reports. We will take forward these requests in conjunction with management as required through the course of the audit cycle.

Anti-money laundering

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 came into force on 26 June 2017 and replace The Money Laundering Regulations 2007. The regulations impose an obligation on the Auditor General to inform the National Crime Agency if she knows or suspects that any person has engaged in money laundering or terrorist financing. As appointed auditor we will consider arrangements in place for the Council to identify and report any instances of money laundering in line with Audit Scotland reporting arrangements.

Other assurance activity

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

4. Timing and deliverables

We deliver our audit in accordance with the timeline set by the Council, in accordance with guidance from Audit Scotland. Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19.

	Audit Activity	Deliverable	Expected Timing
JAN			
FEB	<ul style="list-style-type: none"> ➤ Onsite fieldwork, documentation and walkthrough of key accounting processes and controls ➤ Scoping of Best Value and wider scope work for the year 	Annual Audit Plan	25 March 2019
MAR			
APR	<ul style="list-style-type: none"> ➤ Review of current issues impacting the Council throughout the audit process ➤ Review of reported frauds 	Periodic current issues return submission Quarterly Fraud Return Submission	21 January 2019 22 March 2019 9 August 2019 18 October 2019 30 November 2018 28 February 2019 31 May 2019 30 August 2019
MAY			
JUN	<ul style="list-style-type: none"> ➤ Review progress of the NFI exercise ➤ Education Maintenance Allowance (EMA) grant claim testing 	Submit NFI Questionnaire Certified EMA return	30 June 2019 31 July 2019
JUL			
AUG	<ul style="list-style-type: none"> ➤ Year-end substantive audit fieldwork on unaudited financial statements ➤ Conclude on results of audit procedures ➤ Issue opinion on the Council's financial statements ➤ Performance of Best Value fieldwork 	Whole of Government Accounts assurance statement to NAO (as required) Certify Annual Financial Statements Issue Annual Audit Report Submit Best Value Data and minimum dataset Return to Audit Scotland	27 September 2019 27 September 2019 27 September 2019 1 October 2019
SEP			
OCT	<ul style="list-style-type: none"> ➤ Completion of Non-domestic rates return testing 	Certified Non-Domestic Rates return	6 October 2019
NOV	<ul style="list-style-type: none"> ➤ Completion of housing benefits claim testing 	Certified Housing benefit subsidy claim	29 November 2019
DEC			

4. Fees



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

Audit fees		
Component of fee:	2018/19	2017/18
Auditor remuneration - expected fee	£189,170	£184,860
Audit fee in respect of S106 Trust Funds	£4,120	£4,000
Audit Scotland fixed charges:		
Pooled costs	£18,340	£16,430
Performance audit and best value	£100,990	£101,690
Audit support costs	£11,880	£11,740
Total fee	£324,500	£318,720

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

Fees can be agreed between the auditor and audited body by varying the auditor remuneration by up to 10% above the level set, for example, where significant local issues require additional work to be undertaken.

For the current year, the proposed fee agreed with management is based on setting the fee at the expected fee level. We have assumed in determining the proposed fee that our work in respect of both the financial statements audit and the wider scope audit dimensions is supported by robust schedules and supplementary information. We have noted in our report areas where potential additional work may be required, such as around the implications of IFRS 9 and 15 accounting standards coming into effect, however we will review management's impact assessment before determining if there is a material impact from this. Where further additional work is required, fees will be agreed with management and reported to the Audit Committee in our 2018/19 Annual Audit Report.

Appendices

A – Code of Audit Practice: responsibilities

B – Auditor independence

C – Required communications with the audit committee

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

Responsibilities of audited bodies

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

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

Required communications

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

Relationships, services and related threats and safeguards

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

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

As part of our considerations for any non-audit engagement, we review potential threats in respect of self-interest, self-review, acting as management and advocacy. There have been no non-audit services provided to the Council at this time in 2018/19 (2017/18: nil).

Overall Assessment

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

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

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

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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AUDIT COMMITTEE

INTERNAL AUDIT OF THE ADMINISTRATION OF SCHOOL FUNDS

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

A. PURPOSE OF REPORT

To update the Audit Committee of the progress for improving the monitoring of the completion and return of school fund accounts within Education Services since October 2018.

B. RECOMMENDATION

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

C. SUMMARY OF IMPLICATIONS

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

D1 TERMS OF REPORT

In accordance with the internal audit plan for 2017/18, an audit was undertaken of the procedures within Education Services for monitoring the completion and return of school fund accounts in June 2018. The audit related directly to risk ED021 "Failure of schools to comply with the agreed school fund procedures".

The resultant audit report included an action plan containing agreed management actions. Education Services were asked by the Audit Committee on 8 October 2018 to provide an update on the progress made in ensuring that the agreed management actions were put in place timeously and report on improvements in control to a future meeting of the committee.

D2 BACKGROUND

There are currently two types of income/monies received by schools which must be accounted for separately.

The first type is money received from parents/carers for school meals, school milk and bus tickets (if applicable), which are receipted into the West Lothian Council bank account.

The second type of income is all other money received by the school which referred to as '**school funds**'. Examples of money received as school funds are donations, fund raising activities (including monies raised by Parent Council and given to the school), contributions from parents towards school trips/activities, purchase of school uniform etc.

These funds are administered by the receiving school for the benefit of the school and do not come within the budget of, or under the direct administration of West Lothian Council, Education Services and are receipted into the school fund bank account. The bank account should be held with the Bank of Scotland to enable the monies to be uplifted by the cash uplift service (where applicable).

Whilst some work may be delegated, the Head Teacher is ultimately responsible for the maintenance of proper accounting records, presentation of accounts and ensuring proper use of school fund account(s). To safeguard the interests of individual staff a School Fund committee **MUST** be formed to authorise expenditure from the school fund and a treasurer appointed.

D3 MONITORING ARRANGEMENTS

Following the School Fund Procedures, school staff are required to receipt monies and reconcile the school fund bank accounts and FundsMaster on a monthly basis with a monthly check undertaken by the Head Teacher and Area Business Support Manager.

At the end of each school session the end of year procedures on FundsMaster are completed and the following reports produced: Opening bank statement, closing bank statement, Balance Sheet, Year End School Funds Statement and the final month's Bank Reconciliation. These three reports, the two bank statements and the signed audit/verification statement are to be scanned and forwarded by email to the Resources Team based in the Civic Centre by 31 October each year (www.ipay-fundsmaster@westlothian.gov.uk).

D4 UPDATE ON PROGRESS MADE

Since the Audit Committee held on 8 October 2018 the service has reviewed and re-issued the School Fund Procedures following work with Area Business Support Managers and the Resources Team based in the Civic Centre.

The review identified the requirement to provide additional training and central support for school based staff. As a result the Resources Team was increased by one member of staff seconded from a school.

This additional resource has enabled the Resources Team to review the training materials and support provided to school based staff. The team have since provided training over the last four months at school cluster level and to individuals where required.

The increase in staff has provided an increase to the central monitoring arrangements to ensure that schools follow the requirements set out in the School Fund procedures by enabling them to check the returns submitted and to scrutinise any variations (if identified).

Education Services can confirm that all school fund accounts have been audited for the financial years 2016/17 and 2017/18.

E. CONCLUSION

Education Services have made the required improvements for monitoring the completion and return of school fund accounts.

F. BACKGROUND REFERENCES

Report to the Audit Committee 8 October 2018: Internal Audit of the Administration of School Funds

Appendices/Attachments: None

Contact Person: Donna Adam; donna.adam@westlothian.gov.uk Tel No. 01506 281646.

James Cameron
Head of Education (Learning, Policy and Resources)

Date of meeting: 25 March 2019



AUDIT COMMITTEE

INTERNAL AUDIT OF I.T. PROJECT MANAGEMENT

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of the outcome of an internal audit of the management of I.T. projects within the council.

B. RECOMMENDATION

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

C. SUMMARY OF IMPLICATIONS

I Council Values	Being honest, open and accountable, making best use of our resources.
II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	The audit is directly relevant to risk ITS003 in the corporate risk register "Failure to effectively manage I.T. projects".
III Implications for Scheme of Delegations to Officers	None.
IV Impact on performance and performance Indicators	Weaknesses in internal control may have an adverse impact on performance.
V Relevance to Single Outcome Agreement	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
VI Resources - (Financial, Staffing and Property)	None.
VII Consideration at PDSP	None.
VIII Other consultations	Managers within Corporate Services as part of the audit process.

D. TERMS OF REPORT

In accordance with the internal audit plan for 2018/19, an audit has been undertaken of the management of I.T. projects within the council. As part of the review a sample of IT Projects was selected for testing for compliance with key aspects of the council's project management procedures.

The audit also reviewed the action taken in relation to the Audit Scotland national report "Principles for a Digital Future". This report was submitted to the Audit Committee on 18 December 2017 and included a gap analysis undertaken by I.T. Services.

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

E. CONCLUSION

Our audit of the implementation of the management of I.T. projects within the council has concluded that control requires improvement.

F. BACKGROUND REFERENCES

Report to the Audit Committee 18 December 2017: Audit Scotland - Principles for a Digital Future: Lessons Learned from Public Sector ICT Projects

Report to the Audit Committee 19 March 2018: Internal Audit Plan 2018/19.

Appendices/Attachments: Internal audit report dated 15 March 2019: I.T. Project management

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

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 25 March 2019



CS1803

INTERNAL AUDIT REPORT

CORPORATE SERVICES

I.T. PROJECT MANAGEMENT

15 March 2019



westlothian.gov.uk

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1.0 EXECUTIVE SUMMARY

- 1.1 In accordance with the annual audit plan for 2018/19, we have undertaken a review of IT Project Management within the council and concluded that control **requires improvement**.
- 1.2 The audit remit is set out in section two.
- 1.3 IT Services has overall responsibility for the management of IT related projects which are undertaken by the council. The ICT Programme Board (ICTPB) oversees the progress of all IT projects and is made up of senior representatives from all of the three Depute Chief Executives' service areas. It is chaired by the Depute Chief Executive, Corporate, Operational and Housing Services, and meets quarterly.
- 1.4 The concepts of the PRINCE2 project methodology have been adopted and have been tailored into procedures which meet the business needs of the council. An IT Project Manager is appointed for every project along with a Project Executive, who is normally the relevant Head of Service. A Project Board is formed for each project and a Project Brief is prepared and approved by the ICTPB in order for a project to formally proceed.
- 1.5 There is a structured approach to project management in the council and the following key controls were found to be in place:
- the ICTPB meets quarterly, and includes as routine items of business progress updates on all projects with a focus on red/amber status projects; review of exception reports, project closure reports and stage closure reports; consideration and approval of new project briefs; review of availability of IT resources;
 - documented project management procedures are in place, albeit these are in the process of being reviewed and updated (finding 3.1);
 - the Service Portfolio and Programme Manager reviews the progress of projects on an ongoing basis, and specifically during one to one meetings with Project Managers, and in advance of ICTPB meetings. The Service Portfolio and Programme Manager also undertakes a quality assurance role for larger and more complex projects.
- 1.6 A sample of ten project files were reviewed (see Appendix A) with the following findings:
- project briefs were on file for all projects and included initial timescales and budget information, including agreed tolerances;
 - projects have a designated Project Manager and a Project Executive;
 - Project Boards were in place for all projects, with key Board members appointed, and evidence of regular meetings taking place;
 - there is limited evidence of project team meetings taking place although project managers advised that these did happen (finding 3.4);
 - Project Initiation Documents have a section called Project Quality Assurance, however the completion of this section could be improved (finding 3.5);
 - project highlight reports were prepared monthly for all projects;
 - project plans and risk and Issues logs were on file;
 - there was evidence of lessons learned being considered for closed projects, although some inconsistencies were identified as to how these were recorded (finding 3.6).

- 1.7 The following findings were ranked as being of 'high' importance:
- no Project Initiation Document had been prepared for two of the ten projects reviewed (finding 3.3);
 - a GAP Analysis report was prepared from the findings included in the May 2017 Audit Scotland report, Principles of a Digital Future: Lessons Learned from Public Sector ICT projects. However no action plan has as yet been agreed to address the issues arising from the GAP analysis (finding 3.8).
- 1.8 The action plan in section three details our findings, grades their importance (Appendix B) and includes agreed actions. The implementation of agreed actions will help improve control.
- 1.9 We appreciate the assistance of IT Services staff during the conduct of our audit. Should you require any further assistance please contact Sharon Leitch.

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

2.0 REMIT

2.1 The objectives of the audit were to:

- review risk ITS003 'Failure to effectively manage IT Projects' and the associated controls and actions in place to mitigate the risk. As part of the review a sample of IT Projects was selected for testing for compliance with key aspects of the council's project management procedures.
- review action taken in relation to the Audit Scotland national report 'Principles for a Digital Future'.

The projects selected for testing are set out in Appendix A of this report.

2.2 No internal audit report can provide absolute assurance as to the effectiveness of the system of internal control. 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 Jenni Ballantyne, Service Portfolio and Programme Manager on 6 December 2018.

2.4 The Head of Corporate Services is responsible for both the implementation of agreed actions and the risk arising from not acting on any agreed actions in this report.

2.5 We carry out follow-up reviews on a risk based approach. The Audit, Risk and Counter Fraud Manager will determine the need for a follow-up review of this report.

2.6 In accordance with the council's risk management arrangements services are required to record internal audit findings graded as being of 'high' importance in Pentana as risk actions and to link these to the corresponding risks.

2.7 Audit findings ranked as being of 'high' importance that are not implemented will be reported to the Governance and Risk Board and Audit Committee and considered for inclusion in the Annual Governance Statement.

3.0 ACTION PLAN

Ref	Findings & Risk	Agreed Action	Importance Level
3.1	<p><u>WLC Project Management Procedures</u></p> <p>The current project management procedures were prepared and approved by the ICTPB in 2012. These have been subject to annual reviews and other updates up to December 2016, which were approved by the ICTPB. A major review of the procedures was completed in March 2018 but this update has yet to be approved by the ICTPB and issued to staff.</p> <p>A review of the revised procedures found them to be comprehensive and they also include various checklists as appendices, which are designed to be used for reference purposes. However there would be merit in using the checklists as part of the project documentation, and requiring them to be signed off as tasks are completed. As a minimum this approach could be adopted for the key project management processes and documentation, and could act as a control document for each project.</p> <p><u>Risk</u> <i>Lack of consistency and completeness in relation to project management documentation leading to poor project management and resulting in projects failing to achieve their objectives.</i></p>	<p>The revised procedures will be presented to the ICTPB on 15 May 2019.</p> <p>There is currently a process in place for the independent quality checking of project documentation by project support staff. The process is intended to ensure that all key project management documentation is in place, is kept up to date, and makes use of the information contained in the checklists referred to. With reference to finding 3.3 this process will be reviewed and it will be ensured that all required checks are carried out effectively.</p>	Medium
			Responsible Officer
			IT Service Portfolio and Programme Manager
			Risk Identifier
			ITS003
			Action Date
			15/05/2019

Ref	Findings & Risk	Agreed Action	Importance Level
3.2	<p><u>Project Timescale and Budget Monitoring</u></p> <p>Initial project timescales and budgets are included in project briefs, major variations are reported in exception reports presented to the ICT Programme Board and project closure reports include sections on Milestone Performance and Financial Performance</p> <p>Whilst it is accepted that the project closure reports do provide information and explanations on project timescales and budgets it would be beneficial if a summary document was prepared at the end of each project to show how all projects have actually performed against their original timescales and budgets.</p> <p><u>Risk</u> <i>Insufficient analysis of the reasons why projects fail to meet timescales or budgets, leading to a failure to implement corrective action for future projects.</i></p>	<p>The possibility of preparing a summary document will be considered.</p> <p>The ICTPB has recently reviewed the exception reporting process and it was agreed that once a project reaches a 3rd exception report, or greater, (an exception could be in respect of agreed budgets or timescales being exceeded) then a more detailed review of the project exceptions will be required. This involves the Service Portfolio and Programme Manager, Project Executive and the ICT Programme Board members. The new procedure was implemented at the November 2018 ICTPB.</p> <p>The Project Management procedure will be updated to reflect this change and will be reported to ICT Programme Board on 15 May.</p>	Low
			Responsible Officer
			IT Service Portfolio and Programme Manager
			Risk Identifier
			ITS003
			Action Date
			15/05/2019

Ref	Findings & Risk	Agreed Action	Importance Level
3.3	<p><u>Project Initiation Documents (PIDs)</u></p> <p>From the sample of ten projects reviewed the following two projects did not have any PIDs on file.</p> <p><i>Project 277 - Social Policy-Mobile Technology for Modernising Social Care</i> <i>Project 329 – CHRIS Replacement</i></p> <p>PIDs are the key documents which provide an outline of how a project will be delivered, how this will be achieved and by whom. It is noted that current Project Managers for these projects are different from those who were in place at the start of these projects.</p> <p><u>Risk</u> <i>Lack of clarity over project governance and operational arrangements resulting in projects failing to achieve their objectives.</i></p>	<p>Independent quality checks are carried out on a monthly basis and should ensure that PIDs and all other key project documentation is in place, and any issues will be raised with the appropriate Project Manager and the Service Portfolio and Programme Manager.</p> <p>Projects 277 and 329 both had a SOBC which set out the strategic business case for the allocation of funds to the projects and the options which were considered.</p> <p>Project Briefs were presented to the ICT Programme Board for both of these projects, which set out the purpose of the projects and the options considered.</p> <p>The Service Portfolio and Programme Manager will ensure the current procedure is reviewed to understand why this omission was not picked up and actioned. Changes to the procedure will be made if required.</p> <p>The Project Executive should also be aware of mandatory documentation e.g. Project Initiation Document that should be expected for every project.</p>	High
			Responsible Officer
			IT Service Portfolio and Programme Manager
			Risk Identifier
			ITS003
			Action Date
			Complete

Ref	Findings & Risk	Agreed Action	Importance Level
3.4	<p><u>Project Team Meetings</u></p> <p>From the review of the sample of ten project files there was little evidence of any regular project team meetings being held or of any action notes arising from these meetings.</p> <p>Project Managers confirmed that team meetings did take place, would sometimes be combined with Project Board meetings (depending on the nature of the project), that team members tended to take their own notes of any actions required and that ongoing contact was made with individual team members as projects progressed. Some evidence was provided of meeting invites and diary entries.</p> <p>The Service Portfolio and Programme Manager confirmed that the project management procedure does not specify how often formal project team meetings should take place and how they should be documented. The requirement for project team meetings will vary depending on the size and complexity of the project. The project plan forms the key planner/tracker for project tasks/timelines and resources assigned. A project plan is mandatory and should be accessible to all project team members.</p> <p>The Service Portfolio and Programme Manager commented that a revised approach to the monitoring of project progress is being trialled in IT Services. This is taken from the AGILE approach to project management, and a 'kanban' board is used to break the project into smaller chunks. Fifteen minute weekly meetings are held to review progress, and the key tasks are tracked using the 'kanban' board.</p> <p>To ensure effective project governance a record of the dates of project team meetings should be maintained, and key decisions and actions should be recorded.</p> <p><u>Risk</u> <i>Lack of clarity over roles and responsibilities leading to a failure to complete tasks on time and resulting in projects failing to achieve their objectives.</i></p>	<p>The requirement to have project team meetings, and how these will be recorded, will in future be decided at the project initiation stage. The approach will be recorded in the PID and PIDs will in future be reviewed and signed off by the Service Portfolio and Programme Manager.</p> <p>Different approaches to the recording of team meetings are likely to be put in place depending on the size and complexity of individual projects.</p>	Medium
			Responsible Officer
			IT Service Portfolio and Programme Manager
			Risk Identifier
			ITS003
			Action Date
			31 / 03 / 19

Ref	Findings & Risk	Agreed Action	Importance Level
3.5	<p><u>Project Quality Assurance</u></p> <p>From the review of the sample of ten project files, and eight corresponding PIDs, it was noted that there was a section included in the PID called Project Quality Assurance. Invariably this was completed with the words '<i>Customer Quality Expectations included in Project Brief</i>', with no reference to how these would be assured or assessed.</p> <p>Further consideration should be given to the requirements for the completion of this section of the PID with more information being provided on the way in which Project Quality Assurance for projects will be achieved. This would assist in ensuring that appropriate quality assurance arrangements are in place.</p> <p><u>Risk</u> <i>Failure to implement the required quality assurance processes resulting in projects failing to achieve their objectives.</i></p>	This will be reviewed as part of the future sign off of PIDs by the Service Portfolio and Programme Manager.	Medium
			Responsible Officer
			IT Service Portfolio and Programme Manager
			Risk Identifier
			ITS003
			Action Date
			31 / 03 / 19

Ref	Findings & Risk	Agreed Action	Importance Level																																
3.6	<u>Lessons Learned</u>		Medium																																
	Project closure reports (CR) and post implementation reviews (PIRs) are both required as part of current procedures. The closure reports include a section on lessons learned and the post implementation reviews consider what went well and lessons learned.	A revised post implementation procedure has been introduced in the last 12 months and going forward this will ensure that project closure for all projects is dealt with consistently. Some of the projects in the sample are older projects.	Responsible Officer																																
	Of the sample of ten project files, seven of these were completed projects. These were reviewed for closure reports and post implementation reviews, and specifically for the recording of lessons learned. The results are summarised below.	The revised procedure includes the preparation of a central log of lessons learned which is taken from all projects. It will be shared with Project Managers and the ICTPB to continually improve the project management procedures. Project Managers will assess the central log to ensure that lessons are learned and taken in to account in planning considerations as they initiate new projects.	IT Service Portfolio and Programme Manager																																
			Risk Identifier																																
			ITS003																																
			Action Date																																
			15/05/2019																																
	<table><tr><th>Proj</th><th>CR</th><th>PIR</th><th>Comments</th></tr><tr><td>195</td><td>Yes</td><td>No*</td><td>*However separate Lessons Learned Report – considered satisfactory</td></tr><tr><td>297</td><td>Yes</td><td>No</td><td>CR details lessons learned – no PIR on file</td></tr><tr><td>329</td><td>Yes</td><td>N/a</td><td>Stage 1&2 CR with lessons learned</td></tr><tr><td>317</td><td>Yes</td><td>No</td><td>CR refers to PIR for lessons learned – no PIR on file</td></tr><tr><td>316</td><td>Yes</td><td>Yes</td><td>CR refers to PIR for lessons learned – in PIR</td></tr><tr><td>319</td><td>Yes</td><td>Yes</td><td>Lessons learned in both</td></tr><tr><td>255</td><td>Yes</td><td>Yes</td><td>Lessons learned in both</td></tr></table>	Proj	CR	PIR	Comments	195	Yes	No*	*However separate Lessons Learned Report – considered satisfactory	297	Yes	No	CR details lessons learned – no PIR on file	329	Yes	N/a	Stage 1&2 CR with lessons learned	317	Yes	No	CR refers to PIR for lessons learned – no PIR on file	316	Yes	Yes	CR refers to PIR for lessons learned – in PIR	319	Yes	Yes	Lessons learned in both	255	Yes	Yes	Lessons learned in both	The new Post Implementation Review process will be presented to the ICT Programme Board on 15 May 2019.	
Proj	CR	PIR	Comments																																
195	Yes	No*	*However separate Lessons Learned Report – considered satisfactory																																
297	Yes	No	CR details lessons learned – no PIR on file																																
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319	Yes	Yes	Lessons learned in both																																
255	Yes	Yes	Lessons learned in both																																
	There is a varying approach to recording the lessons learned and there would be benefit in a consistent approach, ensuring closure reports and post implementation reviews are undertaken for all projects.																																		
	<u>Risk</u> <i>Failure to consistently record lessons learned and to therefore identify and use this information for future learning.</i>																																		

Ref	Findings & Risk	Agreed Action	Importance Level
3.7	<p><u>Review of Risk and Internal Controls in Pentana</u></p> <p>The audit reviewed the internal controls included in Pentana that are intended to mitigate risk ITS003 – Failure to Effectively Manage IT Projects.</p> <p>There would benefit in adding further explanation/description to some of the internal controls e.g. review of legal options required, review of contractual performance before deciding on extensions to contracts. There may also be scope for some further internal controls to be added e.g. the quality assurance check of project files, and reporting on lessons learned, once these processes are fully implemented.</p> <p><u>Risk</u> <i>Risk not properly recorded and assessed in Pentana.</i></p>	A review will be undertaken of the risk and internal controls and the outcome of the review will be reported to ICT Programme Board on 15 May 2019.	Low
			Responsible Officer
			IT Services Manager, IT Service Portfolio and Programme Manager
			Risk Identifier
			ITS003
			Action Date
			15/05/2019

Ref	Findings & Risk	Agreed Action	Importance Level
3.8	<p><u>Audit Scotland: Principles of a Digital Future</u></p> <p>The Audit Scotland report, “Principles for a Digital Future: Lessons Learned from Public Sector ICT Projects” was prepared by Audit Scotland in May 2017.</p> <p>The report, along with a gap analysis report, was presented to the ICTPB on 7 December 2017, where the contents were noted, and to the Audit Committee on 18 December 2017, where they were again noted.</p> <p>The gap analysis identified potential areas for improvement in West Lothian Council both within service areas and IT Services. However no action plan has as yet been agreed to address the issues arising from the gap analysis.</p> <p>Notwithstanding the absence of a formal action plan, the Service Portfolio and Programme Manager has taken steps to improve the project management arrangements in IT Services and some examples are noted below:</p> <ul style="list-style-type: none"> • introduction of quality checks of project files by project support staff to ensure they are consistent, complete and compliant with procedures. • improvements to the post implementation review process and the preparation of corporate lessons learned for sharing with the ICT Programme Board and Project Managers. • introduction of elements of the AGILE approach to project management. • introduction of procedures to formally transition new services, or service changes, delivered by projects into the IT operational service delivery environment. <p><u>Risk</u> <i>In the absence of a formal action plan, improvements in project management arrangements are not effectively implemented.</i></p>	<p>The gap analysis report will be reviewed and an action plan will be developed for those areas of improvement which have not been progressed. The action plan will be presented for approval to the ICT Programme Board on 15 May 2019.</p> <p>IT Services Manager and Head of Corporate Services to ensure that all actions agreed at ICT Programme Board are progressed to completion.</p>	High
			Responsible Officer
			IT Service Portfolio and Programme Manager /IT Services Manager/Head of Corporate Services
			Risk Identifier
			ITS003
			Action Date
			15/05/2019

AUDIT SAMPLE – IT PROJECT FILES

Project Number	Project Name
231	Vehicle Fleet Management Software and Stores Management Solution
195	Business Application and Central Server Refresh
332	SWIFT Replacement / Options Analysis
297	Payment Kiosks
277	Social Policy – Mobile Technology for Modernising Social Care
329	CHRIS Replacement
317	SPADE Access Database Replacement
316	Mobile Phone Contract Migration
319	Cedar E5 Upgrade
255	Education Secure Data Sharing

DEFINITIONS OF AUDIT FINDINGS & AUDIT OPINION

AUDIT IMPORTANCE LEVELS

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

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

AUDIT OPINION

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

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



AUDIT COMMITTEE

INTERNAL AUDIT OF GENERAL DATA PROTECTION REGULATION (GDPR) IMPLEMENTATION

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of the outcome of an internal audit of the implementation of the General Data Protection Regulation by the council.

B. RECOMMENDATION

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

C. SUMMARY OF IMPLICATIONS

I Council Values	Being honest, open and accountable, making best use of our resources.
II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	<p>The General Data Protection Regulation (GDPR) sets out the key principles, rights and obligations for most processing of personal data and came into effect on 25 May 2018.</p> <p>The audit is directly relevant to risk WLC032 in the corporate risk register "Failure to meet the requirements of the new data protection legislation (GDPR)".</p>
III Implications for Scheme of Delegations to Officers	None.
IV Impact on performance and performance Indicators	Weaknesses in internal control may have an adverse impact on performance.
V Relevance to Single Outcome Agreement	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
VI Resources - (Financial, Staffing and Property)	None.
VII Consideration at PDSP	None.
VIII Other consultations	Managers within Corporate Services as part of the audit process.

D. TERMS OF REPORT

In accordance with the internal audit plan for 2018/19, an audit has been undertaken of the implementation of the General Data Protection Regulation (GDPR) by the council.

The resultant audit report is attached as an appendix to this report. The audit report acknowledges that a considerable amount of work has been undertaken in preparing for the implementation of the GDPR. Some room for improvement has been identified, and the report includes an action plan containing agreed management actions.

E. CONCLUSION

Our audit of the implementation of the General Data Protection Regulation by the council has concluded that control requires improvement.

F. BACKGROUND REFERENCES

Report to the Audit Committee 19 March 2018: Internal Audit Plan 2018/19.

Appendices/Attachments: Internal audit report dated 15 March 2019: General Data Protection Regulation

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

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 25 March 2019



CW1805

INTERNAL AUDIT REPORT

GENERAL DATA PROTECTION REGULATION

15 March 2019



westlothian.gov.uk

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1.0 EXECUTIVE SUMMARY

- 1.1 In accordance with the annual audit plan for 2018/19, we have undertaken a review of the implementation of the General Data Protection Regulation (GDPR) within the council and conclude that the level of control **requires improvement**.
- 1.2 It is acknowledged that an extensive amount of work and effort has been put into the implementation of the GDPR requirements to date and completion of the actions in section three of the report will improve control further and conclude the project.
- 1.3 The audit remit is set out in section two.
- 1.4 GDPR is a European Regulation that came into effect on 25th May 2018, together with a new Data Protection Act. The new regulation has required changes to how all services within the council collect, handle and process personal data to ensure compliance.
- 1.5 The rights of customers, clients and staff have been enhanced and the obligations and responsibilities of the council, its partners and suppliers have increased. Higher levels of protection of personal information are now required and the governance and reporting of data processing activities has also changed.
- 1.6 Non-compliance could result in the Information Commissioner's Office (ICO) issuing a higher level of fine of up to €20m or 4% global annual turnover. The main changes introduced by the GDPR are:
- a requirement to document all personal data held, identify where it came from and who it is shared with;
 - privacy notices are required to explain the legal basis for processing the data and how long the data will be retained;
 - revised timescales for responding to subject access requests and potential fines for failing to comply;
 - revised timescales to report data breaches to the ICO and an obligation to inform the data subject if there is a high risk to them;
 - when consent is required to process personal data, it must be a positive indication of agreement to personal data being processed and cannot be inferred from silence, pre-ticked boxes or inactivity;
 - privacy by design requires that new systems are developed and implemented with a view to securing the personal data being processed and ensuring that more data than required is not captured;
 - Data Protection Impact Assessments (DPIA) are required for all new systems;
 - the appointment of a Data Protection Officer is mandatory.
- 1.7 The following key controls were found to be in place:
- a cross service GDPR working group was formed in August 2017 to provide governance, identify required changes, and implement them.
 - the GDPR working group was wound up in June 2018 and the Information Management Working Group (IMWG) is now responsible for monitoring the progress of GDPR compliance;
 - a GDPR project plan, risk register and issues log was developed;
 - intranet pages designed to provide information on GDPR, a video briefing and staff handbook were produced to raise staff awareness of upcoming changes;
 - guidance papers were produced by Legal Services;
 - privacy notices have been updated by services;

- a Data Protection Officer has been appointed (finding 3.4).
- 1.8 The following findings were ranked as being of 'High' importance:
- the Information Asset Register, the council's main depository for information held in relation to personal data has not been fully completed, with several gaps in the data still to be populated (finding 3.2);
 - a number of out of date or draft policies and procedures are still being used (finding 3.3).
- 1.9 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.
- 1.10 We appreciate the assistance of all the council staff that contributed to the conduct of our audit. Should you require any further assistance please contact Kenny Wilson.

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

2.0 REMIT

- 2.1 The audit objectives were to determine whether controls are in place which ensures compliance with the requirements of the GDPR.
- 2.2 The audit reviewed the council's preparation for GDPR using guidance provided in the ICO document *Preparing for GDPR – 12 Steps to Take Now*. Only compliance in meeting each step was tested, compliance with the specific components of the step was not audited. For example, evidence of a fully completed Information Asset Register (IAR) was sought but full scrutiny of the data within the IAR was not tested.

No internal audit report can provide absolute assurance as to the effectiveness of the system of internal control. 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 Julie Whitelaw, Head of Corporate Services on 11th March, 2019.
- 2.4 The Head of Corporate Services is responsible for both the implementation of agreed actions and the risk arising from not acting on any agreed actions in this report.
- 2.5 We carry out follow-up reviews on a risk based approach. The Audit, Risk and Counter Fraud Manager will determine the need for a follow-up review of this report.
- 2.6 In accordance with the council's risk management arrangements services are required to record internal audit findings graded as being of 'high' importance in Pentana as risk actions and to link these to the corresponding risks.
- 2.7 Audit findings ranked as being of 'high' importance that are not implemented will be reported to the Governance and Risk Board and Audit Committee and considered for inclusion in the Annual Governance Statement.

3.0 ACTION PLAN

Ref	Findings and Risk	Agreed Action	Importance Level
3.1	<p><u>Communication and Awareness</u></p> <p>Considerable preparatory work was undertaken to raise awareness of the changes introduced through GDPR. Intranet pages were updated, a video briefing and staff handbook were produced to cascade the detail and Legal Services published guidance papers explaining the changes. Links to GDPR information were provided via both <i>Latest Announcements</i> on the intranet and <i>iMatters</i> updates prior to implementation.</p> <p>Data Protection training incorporating the GDPR changes has been piloted and has been available on My Learning from 11th October. However, at the time of the audit, November 2018, instructions to complete this mandatory training have still to be cascaded to staff.</p> <p>We are aware that the GDPR training was discussed at the Information Management Working Group on 9 November.</p> <p><u>Risk</u></p> <p><i>Without completing the mandatory training there is no confirmation that preparatory communications were effective and staff are sufficiently aware of GDPR, and are therefore in a position to effectively comply with the new requirements.</i></p>	<p>Mandatory training has been issued. All employees to complete by close of business 8th March 2019. As in previous years, any employee who fails to complete the training will have their outlook accounts suspended until such times as the training is completed.</p> <p>Regular reports have been issued to managers to provide an update on staff who have not yet completed the training.</p> <p>It should be noted that prior to 8th March all staff were encouraged to complete the training (although this was not mandatory). All new staff and individuals accessing the council network were required to complete the training prior to gaining access to the council's network.</p>	Medium
			Responsible Officer
			Head of Corporate Services
			Risk Identifier
			WLC032
			Action Date
			09/03/2019

Ref	Findings and Risk	Agreed Action	Importance Level
3.2	<p>Information Asset Register (IAR) The council implemented a new IAR as part of the project to prepare for GDPR. Whilst not a legislative requirement the IAR assists the council in maintaining records of its processing activities, documenting the personal data it holds and the associated risks. There are currently 178 processes listed across all services within the IAR.</p> <p>The IAR was found to be incomplete with several gaps in the data still to be supplied across services. Only the Chief Executive Office and Human Resources have fully completed their IAR and supplied all the information required.</p> <p><u>Summary of IAR findings:</u></p> <p>Special Category Data: 1 service still to supply information Information Sharing: 2 services still to supply information Information Sharing Link: 5 services still to supply information Consent: 3 services still to supply information Consent Link: 3 services still to supply information DPIA: 4 services still to supply information DPIA Link: 6 services still to supply information Privacy Notice: 3 services still to supply information Privacy Notice Link: 3 services still to supply information Contracts: 8 services still to supply information Risk Ratings: 6 services still to supply information covering 24 individual processes.</p> <p>It is acknowledged that a considerable amount of work has been spent on updating the IAR to date. The original register has now been divided by service and an action plan drawn up to manage completion. Ownership for each register and a definitive completion date should be confirmed as a matter of priority.</p> <p>Risk <i>Gaps in the IAR increase the risk of the council failing to effectively understand and manage its information assets and there is potential for non-compliance with GDPR requirements.</i></p>	<p>Preparations for the implementation of GDPR focused on key risks and tasks to be undertaken to mitigate those risks.</p> <p>In terms of Article 30 there is a requirement for data controllers to record processing activities. The record is to be in writing, but provided it meets the requirements of the Article, it could be one central record or a number of records held e.g. by each service recording information specific to that area of business.</p> <p>The Council has determined that there should be a Council Information Asset Register. This will supplement the records of information held already by the Council, e.g. the Contracts register.</p> <p>During the preparation for implementation of GDPR, those information assets which processed sensitive personal data were prioritised for inclusion in the Information Asset Register.</p> <p>Work continues through the Information Management Working Group and in direct contact by the Records Manager with Service ILOs to complete the information in the Information Asset Register, recognising that this will be a snapshot of the Council's Information Assets, at any one time.</p> <p>The Information Management Working Group (IMWG) will now report via the Governance and Risk Board. The Information Asset Register will continue to be considered and reviewed at each meeting of the Information Management Working Group.</p> <p>In addition, gap analysis reports will be presented to the Governance and Risk Board.</p>	High
			Responsible Officer
			Head of Corporate Services/Heads of Service
			Risk Identifier
			WLC032
			Action Date
			Reporting to Governance and Risk Board from 13 May 2019

Ref	Findings and Risk	Agreed Action	Importance Level
3.3	<p><u>GDPR Policies and Procedures</u></p> <p><u>Data Protection Policy 2018</u> The Data Protection Act 2018 Policy is still in draft format and the links provided on the Data Protection intranet page open the Data Protection Act 1998 Policy.</p> <p><u>Data Protection Impact Assessment</u> The Data Protection Impact Assessment guide and template have been updated to incorporate the GDPR changes. However it was identified that:</p> <ul style="list-style-type: none"> although now in use the procedures are still in draft format. a Privacy Impact Assessment template, dated August 2015, is still available via the Data Protection intranet page. <p><u>Subject Access Request (SAR)</u> A SAR is made by an individual looking for details of the information held about them. Responses need to be sent without undue delay and at the latest within a calendar month. There is no longer a fee for providing the information. The following issues were identified in relation to SAR's:</p> <ul style="list-style-type: none"> although the updated SAR procedures are now in use they are still in draft format. the SAR procedures available on the Housing, Customer and Building Services Data Protection Information Request intranet page are out of date. the Social Policy Freedom of Information / Data Subject Access Procedure page on the intranet has a link to an out of date form. when searching for SAR procedures on the intranet the initial results do not link to the Data Protection page with the 	<p>All information policies and procedures were considered during the preparations for the implementation of GDPR and high risk processes were addressed, e.g. processes reviewed, privacy notices developed.</p> <p>A draft revised data protection policy was developed but further review of the suite of information management policies and procedures has resulted in the creation of a short life working group, Chaired by Head of Corporate Services. This group is reviewing all Information Management Policies, Procedures and Guidance with a view to developing one overarching Policy to be supported by appropriate procedures and guidance. The group are working towards presenting the revised policy to Council Executive in June 2019.</p>	High
			Responsible Officer
			Head of Corporate Services
			Risk Identifier
			WLC032
			Action Date
			<p>Policy review completed and reported to Council Exec - June 2019</p> <p>Out of date website links removed – 30 April.</p>

	<p>most up to date procedures and templates.</p> <ul style="list-style-type: none"> the online SAR form used by the public is not complete. The answer to question 2 of the guidance notes, <i>What does it cost?</i> is blank. <p>It should be ensured that all policies and procedures are finalised and approved and that links are only made to the most up to date documents.</p> <p>Risk <i>Policies and procedures not finalised resulting in potential gaps in understanding and in an increased risk of non-compliance with the requirements of the GDPR.</i></p>		
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Ref	Findings and Risk	Agreed Action	Importance Level
3.4	<p><u>Data Protection Officer (DPO)</u></p> <p>Julie Whitelaw, Head of Corporate Services, has been appointed interim DPO to meet the mandatory GDPR requirement. The EU Data Protection Working Party Article 29 guidance states there should be no conflict of interest in the appointment of a DPO. The DPO cannot hold a position that leads them to determine the purpose and means of processing personal data. Conflicting positions include Senior Management posts such as Head of Human Resources and IT Departments.</p> <p>Risk <i>The council is potentially in breach of the GDPR Article 29 in respect of conflict of interest in appointing the DPO.</i></p>	<p>The Head of Corporate Services cannot make decisions which impact upon or change the HR or IT related means of processing personal data without agreement from the HR Programme Board, ICT Programme Board, Corporate Management Team or Council Exec.</p> <p>The Head of Corporate Services is supported in the DPO role by the Chief Solicitor and will delegate any DPO tasks to the Chief Solicitor in the event of a perceived conflict of interest.</p>	Low
			Responsible Officer
			Head of Corporate Services
			Risk Identifier
			WLC032
			Action Date
			Complete

DEFINITIONS OF AUDIT FINDINGS & AUDIT OPINION

AUDIT IMPORTANCE LEVELS

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

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

AUDIT OPINION

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

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



AUDIT COMMITTEE

INTERNAL AUDIT OF INFORMATION SECURITY

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of the outcome of an internal audit of the management of information security breaches within the council.

B. RECOMMENDATION

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

C. SUMMARY OF IMPLICATIONS

I Council Values	Being honest, open and accountable, making best use of our resources.
II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	The audit is relevant to risk WLC032 "Failure to meet the requirements of the new data protection legislation (GDPR)" and risk WLC007 "Failure to prepare, or effectively deploy, up to date information security policy and procedures".
III Implications for Scheme of Delegations to Officers	None.
IV Impact on performance and performance Indicators	Weaknesses in internal control may have an adverse impact on performance.
V Relevance to Single Outcome Agreement	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
VI Resources - (Financial, Staffing and Property)	None.
VII Consideration at PDSP	None.
VIII Other consultations	Managers within Corporate Services as part of the audit process.

D. TERMS OF REPORT

As part of the 2016/17 audit plan we conducted an audit of the management of information security breaches and the outcome was reported to the Audit and Governance Committee on 19 December 2016. Our report concluded that control was unsound.

The action plan response to the report stated that the risk assessment process would be reviewed and a new process implemented. The response also stated that a review would be undertaken to assess the feasibility of introducing an electronic system for completing risk assessment templates.

The Audit and Governance Committee noted the contents of the report and agreed that a follow-up report on the progress with the action plan and review of procedures would be submitted to a future meeting of the Committee by the Head of Corporate Services.

The Head of Corporate Services submitted a progress report to the Audit Committee on 30 June 2017. This included revised data breach risk assessment procedures and revised risk assessment templates. The report advised that the actions identified in the internal audit report had been completed.

In accordance with the internal audit plan for 2018/19, a further audit has been undertaken of the management of information security breaches within the council. This included a follow up of the previous audit report issued in 2016. The audit fieldwork was undertaken in November 2018 and it was once again concluded that control was unsound.

The audit report includes an action plan containing agreed management actions. The action plan response states that an Objective workflow has been implemented from January 2019. The Objective system is the Council's electronic content management system, and further detail on the Objective workflow system is included in the action plan responses and in appendix F to the audit report.

A further audit of the process for managing information security breaches is included in the annual audit plan for 2019/20.

E. CONCLUSION

Our audit of the management of information security breaches within the council has concluded that control is unsound.

F. BACKGROUND REFERENCES

Report to the Audit and Governance Committee 19 December 2016: Internal Audit of Information Security Breaches

Report to the Audit Committee 30 June 2017: Information Security Breaches - Risk Assessment - Progress Report

Report to the Audit Committee 19 March 2018: Internal Audit Plan 2018/19.

Appendices/Attachments: Internal audit report dated 15 March 2019: Information Security

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

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 25 March 2019



CW1802

INTERNAL AUDIT REPORT

COUNCIL WIDE

INFORMATION SECURITY

15 March 2019



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1.0 EXECUTIVE SUMMARY

- 1.1 In accordance with the annual audit plan for 2018/19 we have undertaken a review of the management of information security breaches within the council and conclude that the level of control is **unsound**.
- 1.2 The audit remit is set out in section two. In relation to the follow up of our previous information security audit issued in December 2016, which concluded that control was unsound, we consider that control remains unsound and that the findings of our previous audit have therefore not been effectively addressed.
- 1.3 West Lothian Council is registered as a data controller with the Information Commissioner's Office (ICO), registration number Z6925127.
- 1.4 During the financial years 2017/18 and 2018/19 (to 30th November) there were 931 and 514 information security incidents logged respectively. The majority of these were considered low impact, mainly relating to 'phishing' attempts and computer viruses.
- 1.5 A number of cases are considered to be information security breaches, which require the completion of a risk assessment. Consideration is also given as to whether the case should be reported to the ICO. The council's process for the administration of information security breaches at the time of the audit fieldwork in November 2018 is detailed in Appendix B.
- 1.6 In 2017/18 and 2018/19 (to 30th November) there were 25 and 26 incidents respectively where a risk assessment was required to be completed. No incidents were deemed serious enough to be reported to the ICO in 2017/18 and two cases have been reported in 2018/19 to date.
- 1.7 There are policies and procedures in place for dealing with security incidents, including a security incident process, risk assessment templates and an escalation process for higher impact cases. However the audit found issues with all of these processes.
- 1.8 The following findings ranked as being of 'High' importance were found:
 - the IT Security Incident process is not being fully followed in line with procedures, and does not reflect the revised corporate procedures (finding 3.2);
 - two risk assessment templates are available for use, and there is uncertainty across services as to which should be used (finding 3.3);
 - risk assessments are not being signed off and completed within the correct timescales (finding 3.4);
 - we identified a duplicated case reference on a risk assessment resulting in one incident not being fully completed and correctly considered, and therefore a potential referral to the ICO being missed (finding 3.5);
 - we identified inconsistencies in the data provided in the 2017/18 Annual Compliance Statement and to the Information Management Working Group (IMWG) and ICT Programme Board (finding 3.6);
 - out of date Data Protection policy and Information Handling procedures are in use (finding 3.8).
- 1.9 Whilst there are several findings relating to the Security Incident process, through enquiry with officers in the service areas it is apparent that when new cases arise risk assessments are completed and senior management are advised. However e-mails and risk assessments are not being retained within an appropriate Security Incident folder in Objective by services and procedures are not being fully complied with. It has

therefore not been possible to review any of the most recent cases, and provide assurance that they have been dealt with effectively (finding 3.2).

- 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 all staff who contributed to the conduct of our audit. Should you require any further information please contact Kenny Wilson.

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

2.0 REMIT

- 2.1 The audit objectives were to determine whether controls are in place which ensure that satisfactory process and procedures for recording information security breaches and completing risk assessments are in place and being followed.
- 2.2 We have also followed up the agreed actions arising from information security audit CW1605, completed in December 2016.
- 2.3 No internal audit report can provide absolute assurance as to the effectiveness of the system of internal control. Our review concentrated on the key controls and our testing was undertaken on a sample basis. Therefore, the weaknesses we have identified are not necessarily all those which exist.
- 2.4 We agreed the draft report for factual accuracy with Julie Whitelaw, Head of Corporate Services on 11th March, 2019.
- 2.5 The Head of Corporate Services is responsible for both the implementation of agreed actions and the risk arising from not acting on any agreed actions in this report.
- 2.6 We carry out follow-up reviews on a risk based approach. The Audit, Risk and Counter Fraud Manager will determine the need for a follow-up review of this report.
- 2.7 In accordance with the council's risk management arrangements services are required to record internal audit findings graded as being of 'high' importance in Pentana (formerly Covalent) as risk actions, and to link these to the corresponding risks.
- 2.8 Audit findings ranked as being of 'high' importance that are not implemented will be reported to the Governance and Risk Board and Audit Committee and considered for inclusion in the Annual Governance Statement.

3.0 ACTION PLAN

Ref	Findings and Risk	Agreed Action	Importance Level
3.1	<p><u>Information Security Incidents: IT Procedures</u></p> <p>IT Services' Security Incident procedures are not dated therefore we were unable to verify when they were last reviewed. Security Incidents are logged by IT Services in the Supportworks system, where a series of predetermined steps are set up to deal with the reported incident.</p> <p>It was noted that the following steps within the IT Procedures differ from the corresponding steps in the "new" risk assessment process implemented in May 2017:</p> <ul style="list-style-type: none"> • <u>IT Procedures</u>: Advise Information Liaison Officer and Depute Chief Executive of the incident. <p><u>"New" risk assessment process</u>: Service Desk will notify the Head of Service and Depute Chief Executive.</p> <ul style="list-style-type: none"> • <u>IT Procedure</u>: Advise Information Liaison Officer, Head of Service and Chief Solicitor of requirement to complete a risk assessment. <p><u>"New" risk assessment process</u>: Head of Service or nominated officer to complete Stage 1 risk assessment template.</p> <p>It was established through discussions with the Solutions Architect Manager that he was not aware of the "new" steps within the risk assessment process, and therefore IT Services procedures had not been amended to reflect the changes.</p> <p>Risk <i>Failure to correctly deal with an information security breach.</i></p>	<p>In order to ensure a consistent approach to risk assessment of data security breaches is being conducted, an Objective workflow has been implemented from January 2019. A copy of the flowchart for the workflow is attached (Appendix F). The Objective system is the Council's electronic content management system.</p> <p>IT Services will commence/activate the workflow which immediately sends a notification to the Chief Solicitor to advise that a data breach has been lodged.</p> <p>The workflow contains alarms/alerts which are set to trigger at stages through the process to ensure that appropriate attention is being given to the completion of the risk assessment to allow reporting to the ICO within 72 hours where that is considered necessary.</p> <p>IT Security incident procedures have been updated to reflect the new workflow procedure.</p>	Medium
			Responsible Officer
			Head of Corporate Services
			Risk Identifier
			WLC007
			Action Date
			Completed

Ref	Findings and Risk	Agreed Action	Importance Level
3.2	<p><u>IT Security Incident Process</u></p> <p>Once an information security breach has been reported to the IT Service Desk the main steps detailed on the IT Incident procedures are:</p> <ul style="list-style-type: none"> • Inform the Information Liaison Officer (ILO) and Depute Chief Executive (DCE) of the incident • Advise the ILO, Head of Service and Chief Solicitor if there is a requirement to complete a risk assessment • Escalate to the Information Security Officer and DCE if no risk assessment is received within 7 days. <p>A sample of 20 Security Incidents, 12 from 2017/18 and 8 from 2018/19 were reviewed and a number of findings identified, details of which are provided in Appendix C.</p> <p>IT Services confirmed it is their responsibility to open a file in Objective for each security incident logged. However we found that for 2017/18 and 2018/19 to date, 25 and 26 incidents required the completion of a risk assessment, and only 17 and 8 incident case folders respectively have been opened within Security Incidents in Objective. Enquiries with services did find that local records of security incidents were available; however in contravention of procedures, these were not located in the relevant incident files in Objective.</p> <p>There is a significant level of non-compliance with procedures and instances where we were unable to establish compliance due to a lack of an audit trail.</p> <p><u>Risk</u> <i>Security incidents are not being properly resolved, or are not resolved within required timescales.</i></p>	<p>In order to ensure a consistent approach to risk assessment of data security breaches is being conducted, an Objective workflow has been implemented from January 2019. A copy of the flowchart for the workflow is attached (Appendix F). The Objective system is the Council's electronic content management system.</p> <p>The Objective workflow automatically creates a separate file in Objective for all cases.</p> <p>The workflow has alerts which are set to trigger at stages through the process to ensure that appropriate attention is being given to the completion of the risk assessment to allow reporting to the ICO within 72 hours where that is considered necessary.</p> <p>The workflow retains/logs the risk assessment in the unique file in Objective. There is a clear audit trail to follow which officers have completed actions and what those actions were.</p> <p>IT Security incident procedures have been updated to reflect the new workflow procedure.</p>	High
			Responsible Officer
			Head of Corporate Services
			Risk Identifier
			WLC007
			Action Date
			Completed

Ref	Findings & Risk	Agreed Action	Importance Level
3.3	<p><u>Risk Assessment Process / Templates</u></p> <p>A comprehensive risk assessment is required to record all appropriate information of the incident, allowing informed and objective decisions to be made. There are two risk assessment templates currently available to council officers on the intranet and there is uncertainty across services as to which should be used; both are used intermittently.</p> <p>An entry in Pentana indicates a pilot of the “two part” process was to start and this was reported to the ICT Programme Board on 22 May 2017. New templates for the “two part” process are available, however no evidence is available to confirm if and when this process was formally implemented.</p> <p>A review of the completed risk assessments available in the Security Incident folders since 22nd May 2017 show that 14 “old” and 8 “new” templates have been completed. The templates are not dated or version controlled and the available guidance notes are out of date.</p> <p>Both processes appear to be cumbersome and unwieldy with duplication of information/data being requested, particularly in the two stage process, and there is scope for the process and templates to be reviewed and streamlined.</p> <p><u>Risk</u> <i>Confusion over which risk assessment process to follow resulting in potential delays in the initial assessment, progression and resolution of information security incidents.</i></p>	<p>The 2 stage process was implemented to recognise that not all data incidents require to be categorised as data breaches and therefore not all incidents require to have the full risk assessment completed.</p> <p>The 2 stage process did not differ greatly from the 1 stage process, other than allowing an assessment of whether a full risk assessment was required. Where the “old” 1 part template has been used in error, the incident will have been fully assessed, rather than taking the opportunity to conduct an initial short assessment and close the case at that stage, where appropriate.</p> <p>In order to ensure a consistent approach to risk assessment of data security breaches is being conducted, an Objective workflow has been implemented from January 2019. A copy of the flowchart for the workflow is attached (Appendix F). The Objective system is the Council’s electronic content management system.</p> <p>The Objective workflow implemented from January 2019 determines the process to be followed. A single risk assessment template is commenced/activated and is required to be completed in respect of all data breach incidents.</p> <p>Outstanding Risk Assessments will be considered and reviewed at each meeting of the Information Management Working Group.</p> <p>In addition, where outstanding risk assessments fail to be progressed, this will be reported as a risk to the Governance and Risk Board.</p>	High
			Responsible Officer
			Head of Corporate Services
			Risk Identifier
			WLC007
			Action Date
			<p>Objective Workflow 1 stage process Completed</p> <p>IMWG from 3 April 2019</p> <p>Reporting to Governance and Risk Board 13 May 2019</p>

Ref	Findings and Risk	Agreed Action	Importance Level
3.4	<p><u>Risk Assessment Review</u></p> <p>A sample of 20 risk assessments from 2017/18 (12) and 2018/19 (8) were reviewed with a number of findings identified. Details are provided in Appendix D.</p> <p>There is a significant level of non-compliance with procedures and a lack of an audit trail over key stages in the process e.g. risk assessments not fully signed off, required timescales not met or no evidence of sign off, and we are therefore unable to establish timescales.</p> <p>The sign off process appears to be overly complicated with too many officers required to sign the risk assessment resulting in delays in cases being formally closed.</p> <p>Consideration should be given to simplifying the risk assessment process. For example; final sign off being delegated to a Legal Services officer (within 72 hours); the service nominated officer/manager and final sign off by Head of Service (within a timescale to be agreed).</p> <p>With the exception of high risk / ICO cases, Depute Chief Executive and Chief Solicitor involvement should therefore be for reporting purposes only.</p> <p><u>Risk</u> <i>The process for resolving an information security incident is unnecessarily cumbersome, resulting in security incidents not being properly resolved with required timescales.</i></p>	<p>In order to ensure a consistent approach to risk assessment of data security breaches is being conducted, an Objective workflow has been implemented from January 2019. A copy of the flowchart for the workflow is attached (Appendix F). The Objective system is the Council's electronic content management system.</p> <p>The Objective Workflow requires sign off by Head of Service, Chief Solicitor and Data Protection Officer.</p> <p>All these officers are required to be involved in the risk assessment process to ensure all appropriate information is being captured; all cases are being appropriately risk assessed and considered and all appropriate remedial actions are being identified and progressed.</p> <p>Outstanding Risk Assessments will be considered and reviewed at each meeting of the Information Management Working Group.</p> <p>In addition, where outstanding risk assessments fail to be progressed, this will be reported as a risk to the Governance and Risk Board.</p>	High
			Responsible Officer
			Head of Corporate Services/Heads of Service
			Risk Identifier
			WLC007
			Action Date
			<p>Completed</p> <p>IWMG from 3 April 2019</p> <p>Reporting to Governance and Risk Board from 13 May 2019</p>

Ref	Findings and Risk	Agreed Action	Importance Level
3.5	<p><u>Risk Assessment – Case F0194366</u></p> <p>A review of the above IT Services case file found two risk assessments quoting the same case reference number. These related to completely different incidents from 7th November 2017 and 25th January 2018.</p> <p>The latter case from 25th January (reference F0202843) related to a lost phone that contained within its case a paper list of 20 young people's names, dates of birth and phone numbers.</p> <p>Details of the lost phone are recorded in the Legal Services Data/Security Breach Log; however no reference is made to the children's missing personal data. Investigations have been unable to confirm what information was provided to Legal Services, and discussion with the Chief Solicitor established that a recommendation to report the case to the ICO would have been made if she had been made aware of the full incident details.</p> <p>IT Services have closed the case and the actions covering the lost phone itself are complete. However, no Stage 2 risk assessment is available (which contains more detailed information on the review and assessment of the breach, including the actions taken), and we are unable to verify the full process has been followed and sign off has been completed.</p> <p>The service area Team Leader has confirmed that she discussed the loss of personal data with the colleague involved and collectively reminded the team of the importance of protecting customer data.</p> <p><u>Risk</u> <i>The process for resolving an information security incident has not been completed properly resulting in no managerial sign off and the Chief Solicitor being unable to make informed decision to report a potential case to the ICO.</i></p>	<p>The workflow contains alarms/alerts which are set to trigger at stages through the process to ensure that appropriate attention is being given to the completion of the risk assessment to allow reporting to the ICO within 72 hours where that is considered necessary.</p> <p>The Objective workflow automatically assigns a unique case reference to all cases. Cases cannot be closed until they have progressed through the sign off process – sign off by Head of Service, Chief Solicitor and Data Protection Officer.</p> <p>Outstanding Risk Assessments will be considered and reviewed at each meeting of the Information Management Working Group.</p> <p>In addition, where outstanding risk assessments fail to be progressed, this will be reported as a risk to the Governance and Risk Board.</p>	High
			Responsible Officer
			Head of Corporate Services
			Risk Identifier
			WLC007
			Action Date
			<p>Completed</p> <p>IWMG from 3 April 2019</p> <p>Reporting to Governance and Risk Board from 13 May 2019</p>

Ref	Findings and Risk	Agreed Action	Importance Level
3.6	<p><u>Accuracy and Completeness of Incident Reporting Data</u></p> <p>The audit identified inconsistencies in the data provided in the 2017/18 Annual Compliance Statement and to the IMWG and ICT Programme Board.</p> <p><u>WLC Annual Compliance Statement 2017/18</u> The Annual Compliance Statement was reported to the Council Executive on 25 September 2018 and the Governance and Risk Committee on 29 October 2018. The above statement advises there were 921 incidents logged with 17 Risk Assessments completed. Data provided by IT Services for the audit confirms there were 931 incidents logged and 25 Risk Assessments completed during 2017/18.</p> <p>Our previous audit report dated 13 December 2016 had also identified an error in the compliance statement for 2015/16.</p> <p><u>IMWG & ICT Programme Board (2018)</u> Security Incident reporting to these groups is inconsistent with only figures for December 2017, January, May and June 2018 provided. Details for the remaining months of 2018 have not been reported.</p> <p>Also the figures provided to the January and February meetings (covering December 2017 and January 2018) are identical; therefore inaccurate data would appear to have been reported. The correct January figures were provided in April. See Appendix E for details.</p> <p>On reviewing the IMWG minutes it would also appear that outstanding risk assessments, as provided by IT Services, are not always discussed with a view to ensuring completion.</p> <p><u>Risk</u> <i>Insufficient or incorrect data leading to a failure to properly monitor and manage the information security process.</i></p>	<p>The risk assessment process does not record data when a decision has been taken not to progress a risk assessment, e.g. after initial investigation it is considered no data breach has occurred because the personal data has not been released out with the council. This has resulted in an inconsistency in the number of breaches reported to the IT Service desk and the number of risk assessments concluded.</p> <p>The Objective workflow automatically creates a separate file in Objective for all cases reported to the IT Service desk.</p> <p>The workflow has alerts which are set to trigger at stages through the process to ensure that appropriate attention is being given to the completion of the risk assessment to allow reporting to the ICO within 72 hours where that is considered necessary.</p> <p>The workflow retains/logs the risk assessment in its own file in Objective. There is a clear audit trail to follow which officers have completed actions and what those actions were. The workflow will also keep a record of any decision not to progress the risk assessment.</p> <p>The Objective workflow cases cannot be closed until they have progressed through the sign off process – sign off by Head of Service, Chief Solicitor and Data Protection Officer, including agreeing where a risk assessment is not required to progress</p> <p>Outstanding Risk Assessments will be considered and reviewed at each meeting of the Information Management Working Group.</p> <p>In addition, where outstanding risk assessments fail to be progressed, this will be reported as a risk to the Governance and Risk Board.</p>	High
			Responsible Officer
			Head of Corporate Services
			Risk Identifier
			WLC007
			Action Date
			Objective Workflow Completed
			IWMG from 3 April 2019
			Reporting to Governance and Risk Board 13 May 2019

Ref	Findings and Risk	Agreed Action	Importance Level
3.7	<p><u>Risk Assessment Remedial Actions Recorded in Pentana</u></p> <p>The final step of the “new” Data Breach and Risk Assessment procedure states <i>“All outcomes and remedial actions to be logged in Covalent (Pentana) as risk actions”</i>.</p> <p>There is no evidence that any actions have been recorded in Pentana.</p> <p>The remedial action taken for security incidents is recorded within the risk assessment template and is resolved locally within the team / service area.</p> <p>Where serious breaches have been identified there would be merit in recording the corresponding actions in Pentana.</p> <p><u>Risk</u> <i>Identified action in relation to remediating security breaches is not completed.</i></p>	<p>All Heads of Service/ILOs will be reminded that risk actions are to be logged and monitored via Pentana.</p> <p>Outstanding risk actions will be reported and monitored via the IMWG.</p> <p>The IMWG will now report via the Governance and Risk Board and outstanding risk reports will be presented to the Board on a quarterly basis</p>	Low
			Responsible Officer
			Head of Corporate Services
			Risk Identifier
			WLC007
			Action Date
			IWMG 3 April 2019
			Reporting to Governance and Risk Board 13 May 2019

Ref	Findings and Risk	Agreed Action	Importance Level
3.8	<p><u>Data Protection Policy, Information Security Policy and Information Handling Procedure</u></p> <p>The council's Data Protection Policy is out of date. Last reviewed in April 2017, the 2018 version is available in early draft form only.</p> <p>The Information Handling procedure, dated July 2015, has not been reviewed since March 2016.</p> <p>The Information Security Policy is dated June 2017 and was presented to the ICTPB in August 2018. The meeting minute states '<i>Board noted the update by Ian Forrest on the Information Security Policy</i>'. The approval history of the current Policy on the intranet is still dated 20th June 2017.</p> <p>The Information Handling procedure link on the IT Services Information Security page opens the Information Security Policy not the Information Handling procedure.</p> <p><u>Risk</u> <i>Policies and procedures are outdated and fail to reflect current regulatory requirements and up to date practices. Leading to an increased likelihood of information security breaches.</i></p>	<p>All information policies and procedures were considered during the preparations for the implementation of GDPR and high risk processes were addressed, e.g. processes reviewed, privacy notices developed.</p> <p>A draft revised data protection policy was developed but further review of the suite of information management policies and procedures has resulted in the creation of a short life working group. Chaired by Head of Corporate Services, the group is reviewing all Information Management Policies, Procedures and Guidance with a view to developing one overarching Policy to be supported by appropriate procedures and guidance. Revised policy to be reported to Council Executive on 25 June 2019</p>	High
			Responsible Officer
			Head of Corporate Services
			Risk Identifier
			WLC007
			Action Date
			25/06/2019

Ref	Findings and Risk	Agreed Action	Importance Level
3.9	<p><u>Information Security Officer (ISO)</u></p> <p>No ISO has been appointed since the previous post holder left the council in August 2018. We consider that this role is vital to ensuring ongoing compliance with Information Security requirements. The absence of such a post holder may have contributed to the weaknesses identified in this report.</p> <p><u>Risk</u> <i>Failure to maintain effective information security policies and procedures, and failure to effectively monitor and report on compliance.</i></p>	<p>The tasks of the Information Security Officer have been absorbed into the IT Technology and Solutions Manager role, which is currently filled on an interim role. This post holder is supported, in relation to security issues, by an Advanced Technical Specialist.</p> <p>The operational information management tasks of the Information Security Officer have been absorbed into the role of the Records Manager.</p>	Medium
			Responsible Officer
			Head of Corporate Services
			Risk Identifier
			WLC007
			Action Date
			Completed

DEFINITIONS OF AUDIT FINDINGS & AUDIT OPINION

AUDIT IMPORTANCE LEVELS

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

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

AUDIT OPINION

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

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

APPENDIX B

Data Protection –Overview of Data Breach & Risk Assessments Process

Note: this relates to the process in place at the time the audit fieldwork was undertaken in November 2018

Process: Data Breach occurs

First 24 hours: Responsible officer - Head of Service or nominated officer.

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

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

Step 3 - if personal data is involved, notify the Chief Solicitor. If not, the Chief Solicitor does not need to be involved. Service desk will notify Head of Service and Depute Chief Executive.

Within 2 days

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

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

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

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

Within 3 days

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

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

Within 7 working days

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

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

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

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

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

Within 10 working days

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

Within 14 days

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

SUMMARY OF AUDIT FINDINGS

IT SECURITY INCIDENT PROCESS (FINDING 3.2)

(Review of 20 Security Incidents 2017/18 (12) and 2018/19 (8))

Main Steps – Notification and Escalation

- 3 cases appropriate notification was not sent to the relevant officers within 24 hours.
- 5 cases the requirement to complete a risk assessment was not sent to the relevant officers within 24 hours.
- 15 cases of non-receipt of a risk assessment and escalation was not followed up correctly and / or not completed within 7 days.

Call Diary / Attachments

Actions are logged in the incident Call Diary and marked complete once the appropriate e-mail is sent. There is inconsistency in saving copy e-mails in the 'Attachments' folder as evidence the task is complete.

- 16 cases the e-mail advising the ILO and DCE was not saved.
- 1 case the task requesting a risk assessment was marked complete, no e-mail was saved. It was later identified the original request had not been sent and was issued approximately 4 weeks late.
- 2 cases no actions were logged requesting a risk assessment but an assessment is on file.
- 1 case a risk assessment e-mail was available but the task had not been marked as complete.

Escalation of Outstanding Risk Assessments

The process of escalating outstanding risk assessments is not being followed correctly:

- 6 outstanding cases do not appear to have been escalated.
- 9 cases state that follow up e-mails have been sent but no evidence has been saved.
- No escalation of outstanding risk assessments has been undertaken since August.

SUMMARY OF AUDIT FINDINGS

RISK ASSESSMENT COMPLETION (FINDING 3.4)

(Review of 20 Security Incidents, 2017/18 (12) and 2018/19 (8))

Completion of Risk Assessments

Full Sign Off

- 8 forms correctly signed by the appropriate signatories.
- 7 cases only a word document on file, unable to validate sign off.
- 1 form no evidence of DCE or Chief Solicitor signature as final page missing.
- 1 case the form has not been signed by the Head of Service.
- 3 cases, no Stage 2 template on file, unable to validate sign off.

Legal Services Recommended Referral to ICO

Should be 10 days (pre GDPR) / 72 hours (post GDPR)

Analysis of Legal Services Data Breach Log

Services Reporting to Legal:

- 2 cases received in correct timescales
- 2 cases unable to verify timescales
- 11 cases not received by Legal in correct timescales
- 5 cases not detailed in log at all

ICO Decision:

- 10 cases ICO decision made in correct timescale upon receipt of information by Legal Services
- 5 cases unable to verify timescale.

Chief Solicitor Sign Off

- 2 cases were signed within the required timescales.
- 4 cases were signed 11, 13, 23 and 24 days after the incident.
- 1 case was signed 7 weeks after the incident
- 1 case was signed but not dated, unable to validate timescale.
- 1 case (post GDPR) was signed within 3 working days but not 72 hours.
- 1 case no evidence of Chief Solicitor signature as final page missing
- 7 cases only a word document on file, unable to validate sign off
- 2 cases no Stage 2 template on file, unable to validate sign off
- 1 case only Stage 1 template available, e-mail from Chief Solicitor stating happy to sign off. No evidence of decision to report to ICO available.

Depute Chief Executive Sign Off (within 7 Days)

- 2 cases were signed within the required timescales.
- 3 cases were signed 10, 11 and 13 days after the incident.
- 3 cases were signed 5, 7 and 15 weeks after the incident
- 1 form no evidence of DCE signature as final page missing
- 1 case had 5 signatories but no DCE signature on the form
- 7 cases only a word document on file, unable to validate sign off
- 3 cases no Stage 2 template on file, unable to validate sign off

Overdue Risk Assessment Templates

Risk assessments should be fully completed within 10 (old template) and 7 days (new template). As at 30th November 2018 there are 40 incidents that remain open with risk assessments outstanding. The breakdown per year is:

2016/17 – 3 incidents

2017/18 – 14 incidents

2018/19 – 23 incidents

Appropriate Remedial Action Taken

The proposed remedial action as detailed on the risk assessment was reviewed:

- 17 cases the proposed actions appeared reasonable and proportionate.
- 3 cases no action plan was completed.

SUMMARY OF AUDIT FINDINGS

ACCURACY OF REPORTING DATA (FINDING 3.6)

(Review of 2018 IMWG Minutes)

IMWG Minute - 17/1/18

Outstanding risk assessments discussed and importance stressed.

Security Incidents Logged on the IT Service Desk – December 2017:

39 Security Incidents logged,
38 Resolved

Breakdown:

Unauthorised Access: 1

Equipment Loss: 1

Email/Phishing: 27

Application: 6

No incident after investigation: 3

IMWG Minute - 27/2/18 (same data as reported in January 2018)

Reminder to look for trends in incidents only.

There were 39 Security Incidents logged in January 2018 with 38 resolved. These include:

Unauthorised Access: 1

Equipment Loss: 1

Email/Phishing: 27

Application: 6

No incident after investigation: 3

IMWG Minute - 10/4/18 (correct January figure reported in April 2018)

There were 35 **Security Incidents** logged in January 2018 with 33 resolved. These include:

Unauthorised Access: 1

Equipment Loss: 4

Email/Phishing: 16

Application: 7

IMWG Minute - 3/7/18

Security Calls Logged on the IT Service Desk May & June 2018

May

Total Calls Logged – 41

Total Calls Resolved – 41

Breakdown:

2nd Line Education Road Call – 1

Access – 1

Application – 6

EDRMS – 1

Email – 1

Enquiry – 1

Internet – 2

First Line Resolve – 2

Phishing/SPAM – 16

Phishing/SPAM - Not Legitimate – 9

Second Line Resolve – 1

June

Total Calls Logged – 27

Total Calls Resolved – 22

Breakdown:

Application - 4

First Line Resolve – 1

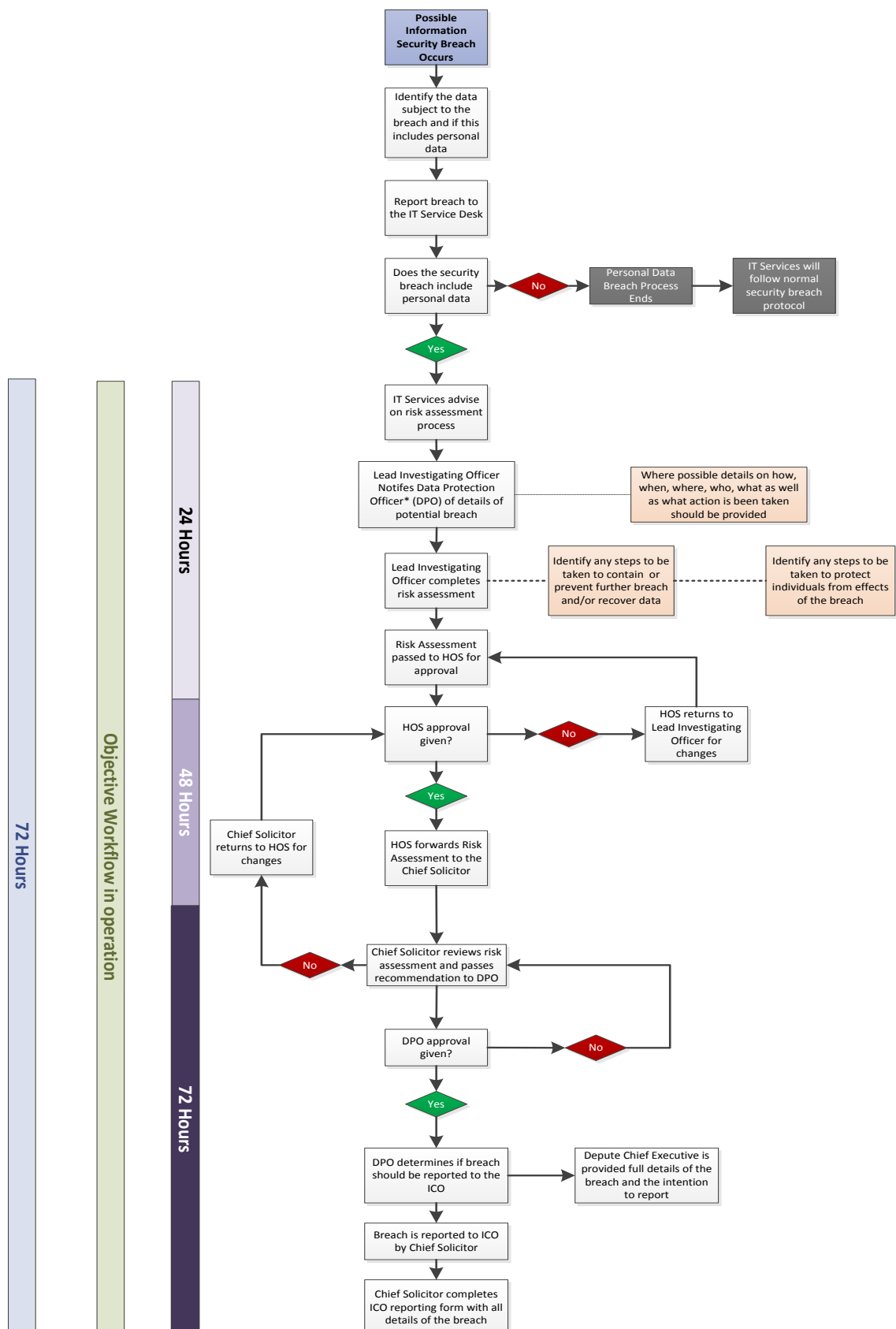
Cyber – 4

Phishing/Spam – 6

Block/Remove -> Legitimate/rectify – 2

Not Legitimate, Block 4

Second Line Resolve 1

INFORMATION SECURITY BREACH PROCESS FLOW



AUDIT COMMITTEE

FOLLOW UP OF THE AUDIT OF EXTERNAL CHILDREN'S PLACEMENTS

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of the outcome of our follow up of our previous audit of external children's placements.

B. RECOMMENDATION

It is recommended that the Audit Committee notes that three of the four agreed actions have been implemented, and one has been partially implemented.

C. SUMMARY OF IMPLICATIONS

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

D. TERMS OF REPORT

In accordance with the internal audit plan for 2017/18, an audit was undertaken of the procedures within Social Policy for making external children's placements. The audit concluded that control required improvement, and was reported to the Audit Committee on 8 October 2018.

The Audit Committee agreed that a follow up of the audit work would be undertaken, and the resultant follow up report is attached as an appendix to this report. We have identified that three of the four agreed actions have been implemented, and that one has been partially implemented. The management response is included in the action plan appended to the audit report (reference 2.1).

In addition two further findings were identified during our follow-up review, which are also included in the attached action plan (references 2.2 and 2.3). Neither of these findings are ranked as being of 'high' importance.

We will aim to carry out further follow-up work as part of the 2018/19 internal audit plan.

E. CONCLUSION

Our follow up audit has identified that that three of the four agreed actions have been implemented, and one has been partially implemented.

F. BACKGROUND REFERENCES

Report to the Audit Committee 8 October 2018: Internal Audit of External Children's Placements.

Appendices/Attachments: Internal audit report dated 11 March 2019: Follow-Up of the Audit of External Children's Placements

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

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

Date of meeting: 25 March 2019



MEMORANDUM

TO: Jo MacPherson, Interim Head of Social Policy
Susan McKenzie, Senior Manager, Children and Families
Tim Ward, Senior Manager, Children and Families

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

REF. NO.: MI1801/SL

DATE: 11 March 2019

Follow-Up of the Audit of External Children's Placements

1.0 Follow-Up Summary

- 1.1 As you will be aware we have recently carried out a follow-up of our previous audit of External Children's Placements, issued on 9 July 2018.
- 1.2 A total of four actions were agreed to be fully implemented as a result of the findings in our previous audit report.
- 1.3 From the follow-up review undertaken we found that three of the four agreed actions have been implemented. One action has been partially completed, and is ranked with 'High' importance.
- 1.4 Details of the three agreed actions which were found to be implemented are as follows:
 - an approval process for non-framework placements has been agreed, however we note that no further non-framework placements were identified when we carried out our follow-up;
 - SORG Procedures and Guidance have been updated to reflect the monthly financial monitoring meetings, and agreed actions from these meetings are now recorded on the monitoring spreadsheet;
 - an approval form for placements with external foster carers is now in place, and is completed by senior management as evidence of authorisation of the placement.
- 1.5 The attached action plan includes the updated position with regard to the partially completed action (ref 2.1), and includes a revised action date.
- 1.6 In addition, two further findings were identified during our follow-up review, and are also included in the attached action plan (refs 2.2 and 2.3). Neither of these findings are ranked with 'High' importance.
- 1.7 We will aim to carry out a further follow-up within the next six months. Audit findings ranked with 'High' importance that are not implemented will be reported to the Governance and Risk Board and Audit Committee and considered for inclusion in the Annual Governance Statement.

Kenneth Ribbons
Audit, Risk and Counter Fraud Manager

2.0 ACTION PLAN

Ref	Previous Finding, Follow-up results and Risks	Agreed Actions	Importance Level
2.1	<p><u>Individual Placement Agreements (IPA's)</u></p> <p>Our previous audit reviewed a sample of placement files and found no evidence of the completion of pro-forma Individual Placement Agreements (IPA's). These set out the key information for each placement, and without which there may not be an enforceable contract for services with the provider.</p> <p>Our follow-up confirmed that, subsequent to the previous audit, a reminder was issued to staff to ensure that IPA's are put in place for each placement.</p> <p>As part of our follow-up, we reviewed four external child placements made since the previous audit and confirmed that IPA documentation had been prepared in each case.</p> <p>However, in three of the four cases, the IPA provided for review was not signed and dated, either by a council signatory or by the service provider.</p> <p>The IPA proformas include boxes for signing and dating by both parties.</p> <p><u>Risk</u></p> <p><i>Absence of agreed contractual documentation between parties, resulting in the potential for financial or contractual disputes and loss to the council.</i></p>	<p>The Senior Manager will send an email to remind teams of the need to complete IPA's and ensure they are signed by the provider and the Senior Manager on behalf of West Lothian Council.</p> <p>The Group Manager for Child Care and Protection will ensure that all IPA's are signed and stored on ESCR.</p>	High
			Responsible Officer
			Susan McKenzie
			Risk Identifier
			SP007
			Action Date
			26/02/2019

Ref	Finding and Risk	Agreed Action	Importance Level
2.2	<p><u>Senior Officer Review Group (SORG) Procedure and Guidance</u></p> <p>We obtained the current version of the SORG Procedure and Guidance during our follow-up, and confirmed that this reflected the updates agreed in the previous audit report action plan.</p> <p>We noted that the version of the SORG Procedure and Guidance published on the Social Policy intranet site is the previous version, prior to the agreed updates being made, and was dated August 2016.</p> <p>The updated procedures therefore require to be posted on the intranet.</p> <p><u>Risk</u></p> <p><i>Potential for inconsistent application of Procedure and Guidance, based on differing versions being made available.</i></p>	The intranet will be updated with the most recent version of the SORG Procedure and Guidance.	Low
			Responsible Officer
			Tim Ward
			Risk Identifier
			SP007
			Action Date
			28/02/2019

Ref	Finding and Risk	Agreed Actions	Importance Level
2.3	<p><u>External Placements Procedure</u></p> <p>The External Placements Procedure on the Social Policy intranet site was reviewed, and it was noted that these are dated August 2016.</p> <p>This procedure could be formally updated for several of the agreed actions contained in our previous audit report, i.e.:-</p> <ul style="list-style-type: none"> the procedure does not specify the requirement to conclude an IPA for each placement. the procedure does not note that documentation must be prepared and retained to justify a decision to make a placement outwith an agreed procurement framework. the procedure does not refer to the completion of Senior Manager authorisation forms. <p>In addition the August 2016 External Placements Procedure refers to the use of a framework agreement which expired in March 2018, and has now been replaced.</p> <p><u>Risk</u></p> <p><i>Procedures do not reflect agreed processes and frameworks, resulting in the risk of irregularities in the administration of external placements.</i></p>	<p>The External Placement Procedure will be updated on the intranet to reflect the following:-</p> <ul style="list-style-type: none"> The requirement to conclude an IPA for each placement. The requirement to prepare and retain documentation to justify a decision to make a placement outwith an agreed procurement framework. The requirement to complete the Senior Manager authorisation forms. Updated framework agreement information. 	Medium
			Responsible Officer
			Tim Ward
			Risk Identifier
			SP007
			Action Date
			30/03/2019

DEFINITIONS OF AUDIT FINDINGS

AUDIT IMPORTANCE LEVELS

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

These reflect the importance of audit findings to an effective system of internal control, or the previous level allocated where a finding is being followed-up, and must be considered in the context of the business processes being audited.



AUDIT COMMITTEE

AUDIT SCOTLAND REPORT - SOCIAL WORK IN SCOTLAND – IMPACT REPORT

REPORT BY HEAD OF SOCIAL POLICY

A. PURPOSE OF REPORT

The purpose of this report is to advise the Audit Committee of the publication of the Audit Scotland Report – Social Work in Scotland - Impact Report published in December 2018.

B. RECOMMENDATION

It is recommended that the Audit Committee notes the contents of the report which provides information on the progress made against the recommendations made by Audit Scotland in 2016 in the Social Work in Scotland report.

C. SUMMARY OF IMPLICATIONS

I Council Values	Focusing on our customers' needs
	Being honest, open and accountable
	Working in partnership.
II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	The report references the key legislative and policy drivers for social work and social care services in Scotland.
III Implications for Scheme of Delegations to Officers	None.
IV Impact on performance and performance Indicators	Working in partnership.
V Relevance to Single Outcome Agreement	People most at risk are protected and supported to achieve improved life chances
	Older people are able to live independently in the community with an improved quality of life
	We live longer, healthier lives and have reduced health inequalities
VI Resources - (Financial, Staffing and Property)	None.
VII Consideration at PDSP	None

VIII Other consultations

None

D. TERMS OF REPORT

The Audit Scotland – Social Work in Scotland – Impact Report was published in December 2018 and reports on the progress made with regards to taking forward the recommendations made by the Accounts Commission performance audit ‘Social work in Scotland’ which was published in 2016.

The initial audit was carried out in 2016 to examine how effectively councils were planning to address financial and demographic pressures facing social work in Scotland. In particular to determine the extent of the financial and demographic pressures, the strategies councils are utilising to address the pressures, the effectiveness of current governance arrangements and how councils are involving service users and carers in service planning.

The key messages in the 2016 report were that :

- the current models of social work and social care are not sustainable. Fundamental decisions need to be made nationally and locally about new delivery models. Attention needs to be given to increasing community capacity.
- whilst social work budgets have increased slightly since 2010/11, this will not be sufficient to meet increased demand. Councils’ social work departments are facing significant challenges due to a combination of financial pressures caused by a real-terms reduction in overall council spending, demographic change, and the cost of implementing new legislation and policies. It was noted that if councils and IJBs continue to provide services in the same way, it would require councils’ social work spending to increase by between £510 and £667 million by 2020 (16–21% increase).
- whilst the integration of health and social care has made governance arrangements more complex, councils retain responsibility in relation to statutory social work services.
- with integration and other policy and legislative changes, the role of the Chief Social Work Officer (CSWO) has become more complex and challenging. CSWOs need to have the status and capacity to fulfil statutory duties effectively.

The report made recommendations covering four different areas: social work strategy and service planning; governance and scrutiny arrangements; workforce; service efficiency and effectiveness.

The Audit Scotland – Social Work in Scotland – Impact Report

The Social Work in Scotland - Impact Report notes that since the publication of the 2016 report that there have been further changes which add to the complexity of governance arrangements for social work, including changes to arrangements for criminal justice and children’s services. It is highlighted that alongside these increasingly complex governance arrangements, councils retain their duties for the delivery of social work services that comply with the legislation and that elected members retain a key leadership and scrutiny role to ensure this happens through councils, IJBs and other partnerships.

The Impact Report also notes that while there has been activity in response to the 2016 report that given the long-term nature of many of the recommendations in the report, progress against these to date remains ongoing.

In particular, it is noted that:

- there have been developments in governance and scrutiny arrangements since the last report but that more work is still required;
- work is underway to address the recommendations around workforce development;
- reviewing how to provide services for the future and future funding arrangements to address the longer-term sustainability of social work services still needs to be progressed and
- there has only been limited progress on the recommendation on service efficiency and effectiveness.

West Lothian position - summary

Whilst West Lothian is significantly affected by financial and demographic challenges, the council benefits from its long-term financial management strategy. The West Lothian IJB has adopted a robust strategic commissioning approach which incorporates a number of key service redesign programmes aimed at transforming the way we deliver services across whole systems and is developing new approaches aimed at increasing community capacity.

It should also be noted that the role of the CSWO is well defined and supported in West Lothian, and is linked effectively into council and partnership governance arrangements.

E. CONCLUSION

The 2016 Audit Scotland Report – Social Work in Scotland highlighted the need for transformative measures to be developed and implemented to address the challenges and complexities that lie ahead for social work and social care in Scotland. The Impact Report 2018 accepts that there has been activity in response to the report including the promotion of the key messages but highlights that given the long-term nature of many of the recommendations, progress against these is ongoing.

F. BACKGROUND REFERENCES

<http://www.audit-scotland.gov.uk/report/social-work-in-scotland>

Appendices/Attachments:

Appendix 1: Social Work in Scotland – Impact Report, Audit Scotland, December 2018

Contact Person: Jo MacPherson
Head of Social Policy (Interim)
jo.macpherson@westlothian.gov.uk

Tel 01506 281920

Date: 25th March 2019

Social work in Scotland

Impact report

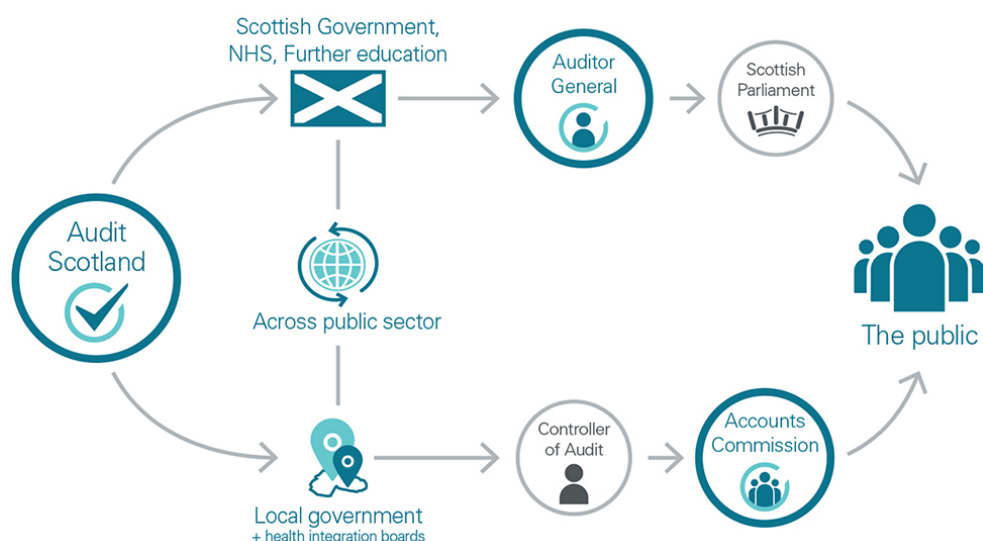
ACCOUNTS COMMISSION 

Prepared by Audit Scotland
December 2018

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Summary of overall impact

1. Our Social Work in Scotland audit was well received by stakeholders and achieved a good level of media attention which reflected our key messages well. It was highlighted at 11 national events, including conferences, and meetings of different stakeholder groups.

2. The report was considered by a council and/or Integration Joint Board (IJB) committee in 21 council areas and 12 councils and/or IJBs produced a local summary as part of their consideration. The report was also referenced in nine chief social work officers' reports for 2016/17.

3. There has been lots of activity in response to the report including promotion of the key messages. However, given the long-term nature of many of the recommendations in the report, progress against these to date remains ongoing (see [Appendix 1](#)). For example:

- a review of clinical and care governance arrangements in integrated health and social care services is underway.
- the Scottish Government and COSLA have published a national health and social care workforce plan, with recommendations to improve workforce planning. This includes a commitment to produce, by March 2019, workplans for developing workforce planning tools.
- there is evidence of some local discussions with communities about priorities around the budget setting process. However, we know from our wider audit work (e.g. the Local Government Overview, local Best Value Assurance Report and our audit work on health and social care integration) that councils and IJBs still need to develop longer-term strategies that fully address the scale of the need to do things differently in order to meet future needs in a sustainable way. Councils will need to involve local communities in these conversations.

4. There has not yet been enough done to address the scale of the challenges and there are some outstanding areas where action is needed. For example, arrangements to address the longer-term sustainability of social work services still need to be urgently addressed by COSLA and the Scottish Government. The lack of progress in this area may reflect the significant challenges identified in the report, and the amount of focus on implementing health and social care integration since we published the report. However, as we set out in the 2016 report, there needs to be major changes to the way in which social work services are provided to ensure future sustainability.

5. The key messages and recommendations in the report were relevant to all the Accounts Commission's strategic priorities ([Exhibit 1](#)).

Exhibit 1

Impact against Accounts Commission strategic priorities

Strategic priority and relevant recommendation	Impact / update
<p><i>Councils should have clear priorities and better long-term planning.</i></p> <p>Relevant recommendation:</p> <p>Councils and IJBs should develop long-term strategies for services funded by social work.</p>	<p>The recommendation includes a series of sub-points about how councils and IJBs should develop long-term strategies. The local summaries produced by councils and IJBs were not always clear on whether they were developing long-term plans, with many focusing on if and how they are carrying out, or planning to carry out, the detailed sub-points.</p>
<p><i>Councils need to recognise that incremental savings are not enough, and thus evaluate options for more significant changes in how they deliver services.</i></p> <p>Relevant recommendation:</p> <p>The report gave a clear message that current approaches to delivering social work services will not be sustainable in the long term. Councils and IJBs should work with others to review how to provide social work services for the future.</p>	<p>The Social Work Scotland summit in December 2017 was a direct response to the report, and particularly the conclusions on the sustainability challenges.¹ We are exploring the possibility of working with Social Work Scotland on a further event for leaders in the sector.</p> <p>There is no evidence of councils and IJBs working with others to carry out this fundamental review to look at the future of social work services.</p> <p>In September 2018 the Scottish Government and COSLA issued a consultation paper on developing a national programme to support local reform of adult social care to a number of stakeholders. This paper recognises that current models of care are not sustainable.²</p>
<p><i>Ensuring their people – members and officers – have the right knowledge, skills and support to design, develop and deliver effective services in the future.</i></p> <p>Relevant recommendation:</p> <p>Councils should work with others to put in place a coordinated approach to resolve workforce issues in social care.</p>	<p>The Scottish Government and COSLA published <i>The national health and social care workforce plan part 2: a framework for improving social care in Scotland</i> in December 2017. Councils are involved in the working groups taking forward the actions from this. This work is in the early stages. It includes agreeing, by March 2019, workplans to develop workforce planning tools for adult care homes and for integrated, multidisciplinary workforce planning.</p>
<p><i>Involving citizens more in making decisions about local services and empowering local communities to identify and help deliver services they need.</i></p> <p>Relevant recommendations:</p> <p>Councils and IJBs should instigate a frank and wide-ranging debate with their communities about the long-term future for social work and social care in their area.</p> <p>In developing long-term strategies, councils and IJBs should work with people who use services, and they should work with local communities to build their capacity.</p>	<p>Our review of council and IJB papers prepared in response to our audit, indicates that discussions with communities have more focussed on consultation as part of budget setting.</p> <p>However, we know from our wider audit work (e.g. the Local Government Overview, local Best Value Assurance Reports and our audit work on health and social care integration) that councils and IJBs still need to develop longer-term strategies that fully address the scale of the need to do things differently in order to meet future needs in a sustainable way. Councils will need to involve local communities in these discussions.</p>

¹ President's report to the Annual General Meeting, Social Work Scotland, May 2018

² <http://www.ccpscotland.org/resources/adult-social-care-reform-paper-scottish-goverment/>

Strategic priority and relevant recommendation	Impact / update
<p><i>Reporting their performance in a way that enhances accountability to citizens and communities</i></p> <p>Relevant recommendation:</p> <p>The report did not include a specific recommendation about public performance reporting, but it included recommendations about the information provided to elected members and their scrutiny of that information, particularly chief social work officer (CSWO) annual reports.</p>	<p>Our review of a sample of CSWO reports showed that they did not always cover all the points in our recommendation. For example, they did not always include information on weaker service areas and plans to address them. CSWOs felt that the annual reports may not be the most appropriate place to report this to support appropriate scrutiny. The Chief Nursing Officer, Chief Social Work Adviser and the National Clinical Director are leading a review of clinical and care governance arrangements of integrated health and social care services.</p>

Introduction

6. This report summarises the impact made by the Accounts Commission performance audit '*Social work in Scotland*' published on 22 September 2016. We examine progress with the recommendations made by the audit. This impact report does not assess progress in implementing health and social care integration, this is covered in our recent report *Health and social care integration: Update on progress*.³

7. The Social work in Scotland audit looked at:

- the scale of the financial and demand pressures facing social work
- what strategies councils and their partners are adopting to address these challenges
- whether councils have effective governance arrangements, including elected member leadership and oversight of social work services
- the impact of financial and demand pressures on service users and carers and how councils involve users and carers in service design.

8. The key messages in the report were:

- Current approaches to delivering social work services will not be sustainable in the long term. There are risks that reducing costs further could affect the quality of services. Councils and Integration Joint Boards (IJBs) need to work with the Scottish Government, which sets the overall strategy for social work across Scotland, to make fundamental decisions about how they provide services in the future. They need to work more closely with service providers, people who use social work services and carers to commission services in a way that makes best use of the resources and expertise available locally. They also need to build communities' capacity to better support vulnerable local people to live independently in their own homes and communities.
- Councils' social work departments are facing significant challenges because of a combination of financial pressures caused by a real-terms reduction in overall council spending, demographic change, and the cost of implementing new legislation and policies. If councils and IJBs continue to provide services in the same way, we have estimated that these changes require councils'

³ *Health and social care integration: Update on progress*, Audit Scotland, November 2018.

social work spending to increase by between £510 and £667 million by 2020 (16–21 per cent increase).

- The integration of health and social care has made governance arrangements more complex, but regardless of integration, councils retain statutory responsibilities in relation to social work services. Elected members have important leadership and scrutiny roles in councils. It is essential that elected members assure themselves that service quality is maintained and that risks are managed effectively. Elected members have a key role to play in a wider conversation with the public about service priorities and managing people's expectations of social work and social care services that councils can afford to provide in the future. The Scottish Government also has an important role to play in setting the overall context of the debate.
- With integration and other changes over recent years, the key role of the chief social work officer (CSWO) has become more complex and challenging. Councils need to ensure that CSWOs have the status and capacity to enable them to fulfil their statutory responsibilities effectively.

9. The report made recommendations covering four different areas: social work strategy and service planning; governance and scrutiny arrangements; workforce; service efficiency and effectiveness.

10. The report aimed to provide an independent assessment of the scale of the challenges facing social work services and how councils were addressing these challenges. The intention was to be timely as councils moved into new integrated health and social care arrangements. The report also planned to identify areas for improvement and examples of good practice.

11. The increasing demand for and pressures on social work services were highlighted in the report. We highlighted the financial pressures caused by a real-terms reduction in overall council spending, demographic changes, and the cost of implementing new legislation and policies. In the 2016 report, we estimated that these changes require councils' social work spending to increase by between £510 and £667 million by 2020 (16–21 per cent increase), if councils and IJBs continue to provide services in the same way. We also reported that between 2012 and 2037, Scotland's overall population is projected to increase by nine per cent, and the number of people of pensionable age by 27 per cent.⁴ Life expectancy is increasing faster than healthy life expectancy, potentially increasing pressures on services.

12. Our report emphasised the complexity of governance arrangements in place for social work following health and social care integration. Councils delegate to the integration authority (IA) their responsibility for strategic planning for adult social care services and for any other services they decide to include. This excludes Highland Council which has a lead agency model. A number of IAs also include children's services and criminal justice services within the schemes of delegation. Governance arrangements vary locally, dependent on the level of operational responsibility delegated to the IA. In this context, elected members need to assure themselves that the council is meeting its statutory responsibilities.

13. Since we published our report there have been further changes which add to the complexity of governance arrangements for social work, including changes to arrangements for criminal justice and children's services. The Community Justice Act 2016 established a new model for delivering community justice services, through community justice partnerships that were established from April 2017. These partnerships are responsible for local planning and monitoring of community justice services along with their partners, including councils and NHS boards. The

⁴ *Scotland's Population, The Registrar General's Annual Review of Demographic Trends 2014*, published August 2015.

partners have a duty to collaborate in preparing a strategic plan and are accountable for delivering it. For councils, this accountability remains to their local communities.⁵

14. The Children and Young People (Scotland) Act 2014 places a duty on councils and NHS boards to jointly plan and report on children's services. The legislation requires that the first plan must run for three years from April 2017.⁶

15. Alongside these increasingly complex governance arrangements, councils retain their duties for the delivery of social work services that comply with the legislation. Elected members retain a key leadership and scrutiny role to ensure this happens through councils, IJBs and other partnerships.

Raising awareness and communication of key messages

Media coverage

16. The report received good coverage in national and local newspapers. The Chair of the Accounts Commission gave a broadcast interview to the BBC and was interviewed on BBC Radio Scotland's Good Morning Scotland show.

17. Most media coverage focussed on the following key messages:

- Current approaches to delivering social work services will not be sustainable in the long term. There are risks that reducing costs further could affect the quality of services. Councils and IJBs need to work with the Scottish Government, which sets the overall strategy for social work across Scotland, to make fundamental decisions about how they provide services in the future.
- Councils' social work departments are facing significant challenges because of a combination of financial pressures caused by a real-terms reduction in overall council spending, demographic change, and the cost of implementing new legislation and policies. If councils and IJBs continue to provide services in the same way, we have estimated that these changes require councils' social work spending to increase by between £510 and £667 million by 2020 (16–21 per cent increase).

18. There were almost 43,000 downloads of the full report in the two years following publication ([Exhibit 2](#)).

Presentations by the audit team

19. The audit team gave presentations on the report to various stakeholder groups:

- Strategic Forum (chaired by the Minister for Early Years)
- Health and Social Care Alliance Scotland (Alliance)
- Alliance, Coalition of Care and Support Providers, Scottish Care and The Institute for Research and Innovation in Social Services
- Social Work Scotland

⁵ *Guidance for Local Partners in the New Model for Community Justice*, Scottish Government, November 2016.

⁶ *Children and Young People (Scotland) Act 2014: Statutory Guidance on Part 3: Children's Services Planning*, Scottish Government, December 2016.

- Cross-Party Group on Learning Disability
- Care Inspectorate Policy Committee
- Social Work in Scotland summit

20. Members of the team also presented on the report as part of wider presentations on our range of audits on health and social care:

- 'Strategic challenges for health and social care' to the Coalition of Care and Support Providers / Scottish Commission for Learning Disability, February 2017
- 'Pressures on social care and health' to a social work summit at Shetland Council, January 2017
- 'Pressures on social care and health' to CIPFA, May 2017.

Exhibit 2

Media coverage and downloads of the report

Media items/downloads	Number of items: two years after publication
National press	16
Local press	3
Television	2
Radio	12
Specialist press	1
TOTAL MEDIA ITEMS	34
Report downloads	42,815
Summary downloads	1,276
Gathering the views of users and carers downloads	922
Audit methodology downloads	1,652
Governance arrangements for councils and IJBs downloads	1,621
Self-assessment checklist downloads	1,324
Podcast downloads	271
TOTAL DOWNLOADS	49,881

21. Members of the team also gave presentations on the report and other audits at two conferences:

- Scotland Policy Conference on health and social care integration, March 2017
- Holyrood Social Care Event, February 2017.

Parliamentary consideration

22. The report was highlighted during First Ministers Questions on the day of publication. Discussion focussed on funding levels for health and social care, the levels of service provided and future service delivery.

Local consideration of the report

23. The report made recommendations for both councils and IJBs. We reviewed committee minutes and agendas to assess local consideration of the report. We reviewed local position summaries of the report prepared for committees but did not carry out audit work at any councils or IJBs. We also reviewed CSWO annual reports for reference to our report. We carried out a more detailed analysis of a sample of six CSWO reports. In addition, we held a focus group discussion with a number of CSWOs and senior social work colleagues.

24. We found evidence of both council and IJB committees considering the report, and in seven areas committees from both bodies scrutinised the report ([Exhibit 3](#)). Of the 14 council committees which discussed the report, 11 were audit or scrutiny related.⁷ Six of the fifteen IJB committees which discussed the report were audit related, with the remainder discussing the report at the IJB itself. Some councils provided information about the report to elected members in other ways, for example through seminars.

25. Although there was evidence of some local consideration of the report at a high level, it was harder to determine what, if anything, had changed locally as a result of the report. We identified that committees in 12 areas were provided with information on the local position against our recommendations and plans for future work to address this. However, information presented to committees was not always detailed enough to allow us to determine whether the recommendations in our report had been addressed, what the current position is and what specific plans, if any, there are to address this.

26. Some of our recommendations used bulleted sub-points to illustrate multiple examples of an overall strategic recommendation. Some councils and IJBs appear to have misinterpreted the intention of recommendations in this format. For example, by interpreting the examples provided as specific requirements or focussing more on the detail in bulleted sub-points rather than the overall strategic recommendation. Future reports could consider whether there is a clearer way of presenting multiple recommendations to minimise the likelihood of this happening again.

27. All CSWOs produced reports in 2016/17 and nine of these referred to our report. They generally set out the key messages around the challenges facing social work services and the risks to sustainability, and the risks around the role of the CSWO.

⁷ The report was discussed at two committees in one council.

Exhibit 3

Local consideration of the report

Action taken	Number of council areas
Report considered at committee	21
Of these, reports were considered at:	
• An IJB committee only	8
• A council committee only	6
• Both IJB and council committees	7
Produced a summary of the local position against recommendations	12
Of these, summaries were reported at:	
• An IJB committee only	4
• A council committee only	5
• Both IJB and council committees	3

National consideration of the report

28. In November 2016, Health and Social Care Alliance Scotland, the Coalition of Care and Support Providers, Scottish Care, The Institute for Research and Innovation in Social Services and other partners ran a discussion event focusing on the report.

29. Social Work Scotland's annual conference in 2017 focussed on meeting the future challenges for social work, drawing on the report. Social Work Scotland are keen to work with us on another event for leaders in the sector.

Update on key trends

Workforce

30. Since the publication of our report, there has been a 0.7 per cent increase in the number of people working in social work and social care services, to around 202,000 people overall.⁸ Around 35 per cent of care services overall in Scotland reported vacancies in 2016, a slight increase from 34 per cent in 2014.⁹ Increasingly, care services are reporting that vacancies are hard to fill, with 41 per cent of services with vacancies reporting this in 2016, compared to 36 per cent in 2014.¹⁰ The main reasons for hard to fill vacancies relate to a lack of applicants and a lack of suitably qualified or experienced applicants.

31. Our audit highlighted skills and staffing shortages in several areas of social work and social care, including homecare and nursing. Recent figures show that these trends are largely continuing. The percentage of homecare services reporting

⁸ *Scottish Social Service Sector: Report on 2017 Workforce Data*, Scottish Social Services Council, 2018.

⁹ These figures include all care services which is broader than social care services. For example, this includes vacancies in day care of children services. *Staff vacancies in care services 2016*, Care Inspectorate, 2017.

¹⁰ These figures exclude services reporting not applicable. *Staff vacancies in care services 2016*, Care Inspectorate, 2017.

vacancies increased from 46 per cent in 2014 to 58 per cent in 2015 and 57 per cent in 2016. Almost two thirds of homecare services reported that these vacancies were hard to fill each year. The number of services reporting nursing vacancies has also increased from 18 per cent in 2014 to 21 per cent in 2016.¹¹ Similar to the findings of our audit, this particularly impacts care homes, with 49 per cent of care homes for older people reporting nursing vacancies. Private care homes for older people faced particular recruitment challenges with 58 per cent of services reporting nursing vacancies, compared to 20 per cent in the voluntary/not for profit sector and only seven per cent of council care homes for older people.¹²

32. Our audit also highlighted staffing and skills shortages in mental health officers (MHOs). Recent figures indicate some improvement, with around a nine per cent increase in the number of practising MHOs between 2015 and 2017. Nonetheless, just over two thirds of councils still reported a shortfall in MHO staff resource in 2017. The total additional hours per week required to address these shortfalls reduced by around five per cent from 2015, although they remain high, requiring the equivalent of approximately 41 additional full time, exclusive MHOs to fill the shortfall.¹³

33. In July 2018 the Scottish Government published an assessment of the contribution of non-UK EU workers to the social care workforce in Scotland.¹⁴ This research estimates that 5.6 per cent of people working in adult social care and childcare are non-UK EU nationals, around 9,830 workers. This varies from an estimated 0.3 per cent of people working in childminding services to 16.5 per cent of agency nurses. Most managers involved in the research said they had not experienced any change in either staff retention or in the number of applications from non-UK EU nationals over the last 12 months. The report highlights difficulties recruiting and retaining staff in the social care sector but found that the UK's decision to leave the EU was not seen as having a significant impact. However, managers noted the uncertainty and potential impact for the future, particularly in services that rely more on non-UK EU workers.

Finance

34. Exhibit 5 in our audit report demonstrated how social work spending was distributed between client groups. It showed that around 44 per cent of the £3.1 billion net social work spending in 2014/15 was on services for older people. [Exhibit 4](#), below, demonstrates the distribution of net social work spending between client groups between 2014/15 and 2016/17. The distribution of spend between client groups is similar across the three years, with the highest proportion of spend on older people, followed by children and families and adults with learning disabilities.

35. Changes to the way in which health and social care services are structured following legislation to integrate health and social care services, makes comparison of spending on social work over time more challenging. Gross expenditure is total expenditure on a service, whilst net expenditure is total expenditure minus any income received. Net revenue expenditure on social work in Scotland in 2016/17 was £3.136 billion, a slight reduction from 2015/16. However, this probably reflects the changes in the way that social care is funded following integration, as gross expenditure has increased and income (including payments from health boards) has also increased. The Scottish Government has set up a working group to improve the accuracy and usefulness of the 2017/18 figures, which are due to be published in 2019

¹¹ These figures exclude services reporting not applicable. *Staff vacancies in care services 2016*, Care Inspectorate, 2017.

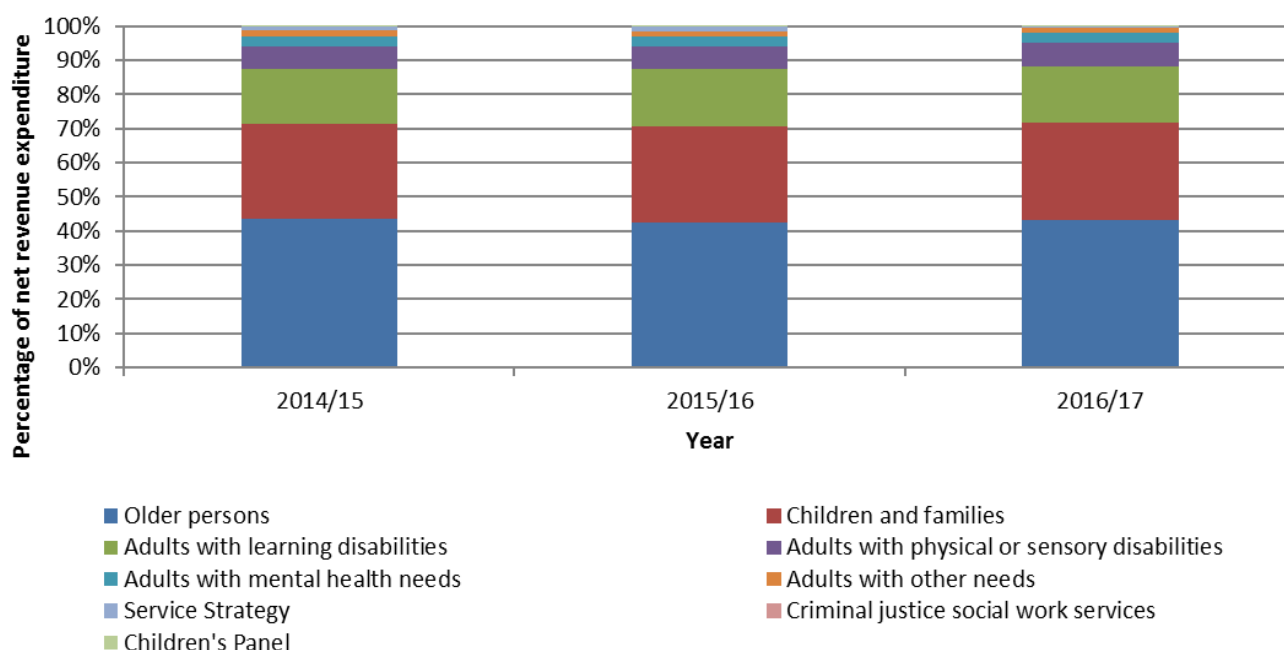
¹² *Staff vacancies in care services 2016*, Care Inspectorate, 2017

¹³ *Mental Health Officers Report 2017*, Scottish Social Services Council, 2018.

¹⁴ *The Contribution of Non-UK EU Workers in the Social Care Workforce in Scotland*, Scottish Government, 2018.

Exhibit 4

Distribution of net social work spending between client groups between 2014/15 and 2016/17



Source: LFRs, Scottish Government 2016, 2017, 2018

Rates of homecare

36. Our audit found that focussing services on people with higher needs meant the rate of homecare provided to older people had reduced between 2006 and 2015. [Exhibit 5](#) demonstrates this trend is continuing with the rate decreasing again in 2016 and 2017. Over the same period, the number of people aged 65 and over receiving homecare decreased from 57,190 in 2006 to 48,810 in 2017.¹⁵

Contribution to national policy developments

37. The Carers (Scotland) Act 2016 Statutory Guidance, refers to the report as highlighting the need for transformation in health and social care to take forward preventative approaches to supporting people, including carers, in order to reduce costs and promote health and wellbeing.¹⁶ As part of the Carers (Scotland) Act 2016, councils and NHS boards will assess the extent to which support may meet carers' identified needs in order to achieve their personal outcomes. They will also assess the extent to which preventative support may prevent, delay or reduce carers' needs, or potential needs, for support.

38. Social Work Scotland and the Improvement Service have produced a briefing note for elected members on the role of the CSWO.¹⁷ The stated purpose of this briefing includes addressing the recommendations of our report. Social Work Scotland have also produced a briefing note for senior leaders on the CSWO role, which also references our report.¹⁸

¹⁵ *Social Care Statistics*, Scottish Government, December 2017

¹⁶ *Carers (Scotland) Act 2016 Statutory Guidance*, Scottish Government, March 2018.

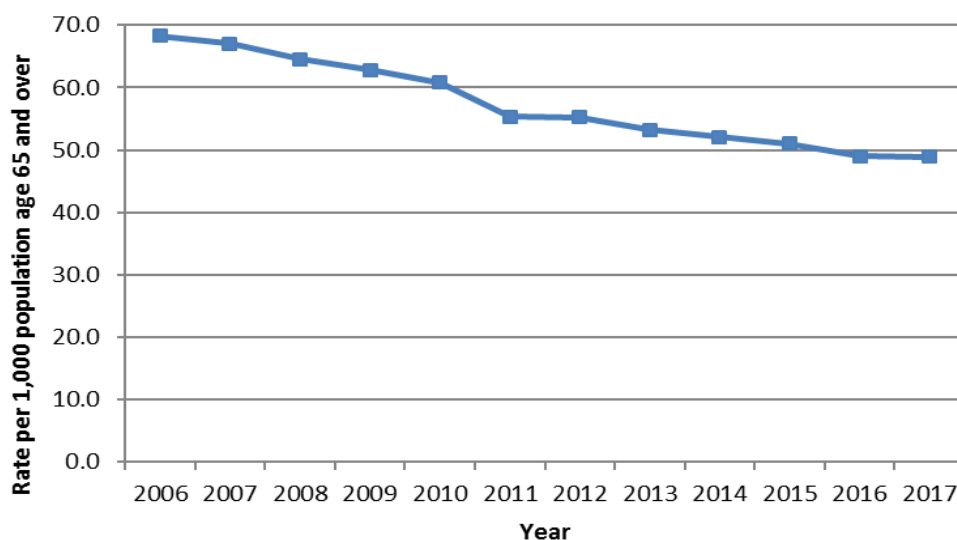
¹⁷ *Elected member briefing note: Chief Social Work Officer*, Improvement Service and Social Work Scotland, September 2017.

¹⁸ *The role of Chief Social Work Officer: Briefing note for senior leaders*, Social Work Scotland, December 2017.

39. The Scottish Government and COSLA have published a national health and social care workforce plan. The social care aspect of this plan sets out recommendations to improve workforce planning in social care. These include recommendations to develop workforce planning guidance for partnership working and agreeing plans to implement workforce planning tools for social care and multi-disciplinary workforces.¹⁹ Workplans for developing workforce planning tools are due to be produced by March 2019.

Exhibit 5

Rate of people aged 65 and over receiving homecare



Source: *Social Care Statistics*, Scottish Government, December 2017

Conclusion

40. Overall, there has been lots of activity in response to the report including promotion of the key messages. However, given the long-term nature of many of the recommendations, progress against these is ongoing. Reviewing how to provide services for the future and future funding arrangements to address the longer-term sustainability of social work services still need to be progressed. There have been some developments in governance and scrutiny arrangements since we published the report, with more work in progress, but there are still opportunities to enhance these. Work is underway to address our recommendations around workforce, but it is too early to report progress in this area. With regards to our recommendations on service efficiency and effectiveness, there has been limited local progress in taking these forward.

41. We remain concerned about the limited progress in some fundamental areas where councils, COSLA and Scottish Government need to take action as a matter of urgency to ensure social work services are sustainable for the future.

42. [Appendix 1](#) provides details of all the recommendations and a summary of progress for each.

¹⁹ *National health and social care workforce plan: Part 2 – A framework for improving workforce planning for social care in Scotland*, Scottish Government and COSLA, December 2017.

Appendix 1: Progress on implementing the recommendations in Social work in Scotland

Social work strategy and service planning recommendations

Councils and IJBs should instigate a frank and wide-ranging debate with their communities about the long-term future for social work and social care in their area to meet statutory responsibilities, given the funding available and the future challenges

There is some evidence of local progress, but this mainly focusses around the budget setting process, rather than a broader discussion on the longer-term future of social work and social care services. (Amber)

The Accounts Commission's report *Local government in Scotland: Challenges and performance 2018* made a similar recommendation for all council services to work with communities so that they are actively involved in decision making, know the effect decisions are expected to have on services and communities and see the impact of community empowerment.²⁰

The Social Services Strategic Forum, chaired by the Minister for Childcare and Early Years, commissioned research into public perceptions of social work services.²¹ The research notes our report's key message around the importance of working with people using services and their carers and communities. The research has gathered information on people's knowledge, understanding and attitudes towards social services, as well as the reasons for these views.

Councils' local position reports set out some local examples of discussions with communities around demand for services, often around the budget setting process for adult services.

Our Best Value Assurance Reports highlight examples of engaging with communities, including as part of budget setting processes. East Ayrshire Council Best Value Assurance report highlights that discussions on the challenges for all council services are happening at a council level. There have been events for councillors, staff and communities, as well as online consultation on topics including reducing demand and costs and increasing income. These discussions have resulted in actions that the council is taking forward.

Our recent *Health and social care integration: Update on progress* audit identified scope to improve work with communities. It recommended that Integration Authorities, councils and NHS boards continue to improve the way that local communities are involved in planning and implementing any changes to how health and care services are accessed and delivered

²⁰ *Local government in Scotland: Challenges and performance 2018*, Accounts Commission, April 2018.

²¹ *What the public think about Scottish social services and why*, McCulloch, Webb & Clarke, 2017.

Councils and IJBs should work with the Scottish Government, their representative organisation (COSLA or the Scottish Local Government Partnership (SLGP)), Social Work Scotland and other stakeholders to review how to provide social work services for the future and future funding arrangements

Some evidence that discussions around meeting the challenges have started (Amber)

Social Work Scotland's annual conference in 2017 focussed on meeting the future challenges for social work.

Social Work Scotland referenced our report in relation to the risks to the quality of services from further reducing costs in a written submission to the Education and Skills Committee's Poverty and attainment inquiry. The submission highlights a shift towards early intervention in children's services, but notes current challenges investing in new approaches, despite the potential for longer term savings.

There has been no agreement on a future model for social work services and how these will be funded. (Red)

We are not aware of the Scottish Government or COSLA leading any specific work on this.

Councils and IJBs should develop long-term strategies for the services funded by social work by:

- carrying out a detailed analysis of demographic change and the contribution preventative approaches can make to reduce demand for services
- developing long-term financial and workforce plans
- working with people who use services, carers and service providers to design and provide services around the needs of individuals
- working more closely with local communities to build their capacity so they can better support local people who may be at risk of needing to use services
- considering examples of innovative practice from across Scotland and beyond
- working with the NHS and Scottish Government to review how to better synchronise partners' budget-setting arrangements to support these strategies

Some councils and IJBs are addressing aspects of this recommendation, however, we found a lack of evidence that they are developing long-term strategies. (Amber)

Our recent *Health and social care integration: Update on progress* audit sets out some local examples of approaches where the contribution of preventative approaches has been evaluated.

Councils and IJBs' local summaries of progress against our recommendations provide examples of detailed analysis of demographic change, often as part of the strategic planning process. It is not always clear whether the contribution of preventative services to reducing demand fed into these analyses.

The Scottish Government and COSLA have published a national health and social care workforce plan. The social care aspect of this plan sets out recommendations to improve workforce planning in social care. These include recommendations to develop workforce planning guidance for partnership working and workforce planning tools for social care and multi-disciplinary workforces. Workplans to develop workforce planning tools are due to be produced by March 2019.

Our recent *Health and social care integration: Update on progress* audit found that financial planning in integration authorities is not integrated, long term or focussed on providing the best outcomes for people who need support. It recommended that Scottish Government, COSLA, councils, NHS boards and Integration Authorities should work together to support integrated financial management by developing a longer-term and more integrated approach to financial planning at both a national and local level

As part of the Carers (Scotland) Act 2016, the local carer strategy is required to set out an assessment

of the extent to which plans for supporting relevant carers may reduce any impact of caring on relevant carers' health and wellbeing. This means councils and NHS boards will assess the extent to which support may meet carers' identified needs in order to achieve their personal outcomes. They will also assess the extent to which preventative support may prevent, delay or reduce carers' needs, or potential needs, for support.²²

Local summaries of progress against our recommendations highlight councils and IJBs working with people using services and their carers, as well as communities more broadly. Examples of this include as part of locality planning for integrated services and in developing children's services plans. However, our recent *Health and social care integration: Update on progress* audit identified scope to improve this work with communities. It recommended that Integration Authorities, councils and NHS boards continue to improve the way that local communities are involved in planning and implementing any changes to how health and care services are accessed and delivered.

Some local summaries of progress against our recommendations include examples of councils and IJBs considering innovative practice from across Scotland and beyond.

A group, chaired by a representative from the Scottish Government, is looking at the technical aspects of synchronising budgets. The identified issues are still to be fully addressed and some barriers remain to agreeing budgets in some IJBs. Our *Health and social care integration: a progress update* report found that agreeing budgets for integrated health and social care services remains problematic in part due to the differences in the timing of budget settlements between councils and NHS boards.

Governance and scrutiny arrangements recommendations

Councils and IJBs should ensure that the governance and scrutiny of social work services are appropriate and comprehensive across the whole of social work services, and review these arrangements regularly as partnerships develop and services change

Some work has started to address this, but it is not yet complete (Amber)

Our *Health and social care integration: progress update* audit highlighted a lack of clarity and misunderstanding over governance arrangements in health and social care integration even amongst people working at senior levels.

Scottish Government and COSLA are leading a review of integration, reporting to the Ministerial Steering Group. This is looking at three areas: finance; governance and commissioning arrangements; delivery and improving outcomes. Interim recommendations are due by the end of

²² Carers (Scotland) Act 2016 Statutory Guidance, Scottish Government, March 2018.

	<p>October 2018, and the review will conclude in January 2019.</p> <p>The Chief Nursing Officer, Chief Social Work Adviser and the National Clinical Director are leading a review of clinical and care governance arrangements in integrated health and social care services. This aims to identify any national action required to support effective local clinical and care governance for integrated services. Meetings with key stakeholders are due to take place in late 2018 and early 2019.</p> <p>Local summaries of progress against our recommendations often outlined the governance arrangements in place. It was not always possible to tell whether these arrangements differed from those in place at the time of our audit, or whether there were plans to continue to review these in line with our recommendation.</p>
<p>Councils and IJBs should improve accountability by having processes in place to:</p> <ul style="list-style-type: none"> • measure the outcomes of services, for example in criminal justice services, and their success rates in supporting individuals' efforts to desist from offending through their social inclusion • monitor the efficiency and effectiveness of services • allow elected members to assure themselves that the quality of social work services is being maintained and that councils are managing risks effectively • measure people's satisfaction with those services • report the findings to elected members and the IJB 	<p>Evidence of some local progress in some of the areas covered in this recommendation. (Amber)</p> <p>There were some examples, in local summaries of progress against our recommendations, of specific services where outcomes are measured. Some areas also indicated they planned to extend this approach to other services.</p> <p>The Improvement Service worked with Social Work Scotland to develop a briefing note for elected members on the role and functions of the CSWO, including suggestions to strengthen the relationship between elected members and the CSWO and good practice examples. The purpose of this briefing includes addressing the recommendations of our report.</p> <p>Local summaries of progress against our recommendations detailed some examples of measuring service satisfaction.</p>
<p>Councils should demonstrate clear access for, and reporting to, the council by the CSWO, in line with guidance</p>	<p>We did not do local follow-up audit work with all 32 councils, so we lack evidence to assess progress with this recommendation. (No evidence)</p> <p>Social Work Scotland has developed a briefing note for senior leaders on the role of the CSWO to help senior leaders and CSWOs in discussions at local level on how the CSWO role can best be supported and delivered. This refers to our report.</p>
<p>Councils should ensure the CSWO has sufficient time and authority to enable them to fulfil the role effectively</p>	<p>We did not do local follow-up audit work with all 32 councils, so we lack evidence to assess progress with this recommendation. (No evidence)</p> <p>Social Work Scotland has developed a briefing note for senior leaders on the role of the CSWO to help senior leaders and CSWOs in discussions at local level on how the CSWO role can best be supported and delivered. This refers to our report.</p>

	<p>A report into child protection arrangements in March 2017 made a similar recommendation that the Chief Executive of each council, working with the Chief Officers' Group, ensures that CSWOs have sufficient support to provide professional leadership, advice and scrutiny across all public protection matters (including child protection), given their key statutory responsibilities.²³</p> <p>In a focus group meeting, some CSWOs highlighted local examples of greater demands on their time, particularly following changes to governance arrangements as part of health and social care integration.</p> <p>The Chief Nursing Officer, Chief Social Work Adviser and the National Clinical Director are leading a review of clinical and care governance arrangements in integrated health and social care services.</p>
<p>Councils should ensure that CSWO annual reports provide an annual summary of the performance of the social work service, highlighting achievements and weaker areas of service delivery, setting out the council's response and plans to improve weaker areas and that these are actively scrutinised by elected members</p>	<p>CSWO reports do not cover all aspects of the recommendation. However, some CSWOs felt that aspects of the recommendation were not appropriate and are looking at other ways to provide this information to elected members. (Amber)</p> <p>The Scottish Government issued guidance on CSWO annual reports for 2016/17 in May 2017. This guidance is in line with our recommendation. However, it is a decision for local councils as to whether they follow this guidance and the suggested template for their report.</p> <p>Our review of six CSWO reports for 2016/17 found that these did not all cover all the points included in our recommendation. For example, the reports did not always include information on weaker areas of service delivery and plans to improve these.</p> <p>Some CSWOs felt that there may be some difficulties in including information on this level of risk in these public reports. Local arrangements may allow elected members to receive separate briefings to raise awareness of local risks, without placing this level of sensitive information into the public domain, for example through IJB care governance arrangements.</p>

Workforce recommendations

<p>Councils should work with their representative organisation (COSLA or the SLGP), the Scottish Government and private and third sector employers to put in place a coordinated approach to resolve workforce issues in social care</p>	<p>There is some evidence of progress, and work is ongoing. (Amber)</p> <p><i>National health and social care workforce plan part 2: A framework for improving workforce planning for social care in Scotland</i> was jointly published by COSLA and the Scottish Government in December 2017. Workplans for developing workforce planning tools are due to be produced by March 2019.</p>
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²³ Child protection improvement programme report, Scottish Government, March 2017.

Councils should as part of their contract monitoring arrangements, ensure that providers who use zero hours contracts allow staff to accept or turn down work without being penalised

We did not do local follow-up audit work with all 32 councils, so we lack evidence to assess progress with this recommendation. (No evidence)

Local summaries of progress against our recommendations do not provide enough information to assess progress against this recommendation.

Service efficiency and effectiveness recommendations

Councils and IJBs should when planning an initiative, include evaluation criteria and extend or halt initiatives depending on the success of new approaches in improving outcomes and value for money

Some evidence of this approach being used locally. (Amber)

Some local summaries of progress against our recommendations contained examples of evaluation criteria being used and decisions on whether to continue with initiatives being dependent on their success.

Councils and IJBs should work with COSLA to review the eligibility framework to ensure that it is still fit for purpose in the light of recent policy and legislative changes

We did not do local follow-up audit work with all 32 councils, so we lack evidence to assess progress with this recommendation (No evidence)

There is no evidence of this being taken forward at a national level.

Councils should benchmark their services against those provided by other councils and providers within the UK and overseas to encourage innovation and improve services

Some evidence of this approach being used locally. (Amber)

Local summaries of progress against our recommendations referred to benchmarking through the local government benchmarking framework. Examples of wider benchmarking across the UK were less frequent.

Social work in Scotland

Impact report

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk