



**Clackmannanshire  
Council**

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Comhairle Siorrachd  
Chlach Mhanann

Kilncraigs, Greenside Street, Alloa, FK10 1EB (Tel.01259-450000)

## **Audit Committee**

**Thursday 11 October 2018 at 9.30 am**

**Venue: Council Chamber, Kilncraigs,  
Greenside Street, Alloa, FK10 1EB**

Date	Time
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## **Audit Committee**

The remit of the Audit Committee is:

To ensure that the authority's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it.

In relation to the authority's internal audit functions:

- oversee its independence, objectivity, performance and professionalism
- support the effectiveness of the internal audit process
- promote the effective use of internal audit by approving the annual Internal Audit Plan

To consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations

To monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption

To consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control

To support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process

To review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

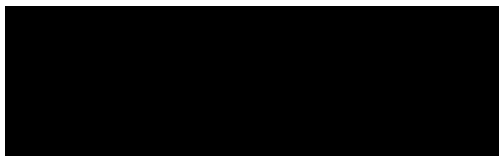
**Members of the public are welcome to attend our Council and Committee meetings to see how decisions are made.**

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**3 October 2018**

**A MEETING of the AUDIT COMMITTEE will be held within the Council Chamber, Kilncraigs, Greenside Street, Alloa, FK10 1EB, on THURSDAY 11 October 2018 at 9.30 am.**



**NIKKI BRIDLE**  
**Chief Executive**

## **B U S I N E S S**

	<b>Page no.</b>
1. Apologies	--
2. Declaration of Interests Members should declare any financial or non-financial interests they have in any item on this agenda, identifying the relevant agenda item and the nature of their interest in accordance with the Councillors' Code of Conduct. A Declaration of Interest form should be completed and passed to the Committee Officer.	--
3. Confirm Minutes of Special Meeting held 27 September 2018 (Copy herewith)	05
4. External Audit: 2017/18 Annual Audit Report – report by the Chief Accountant (Interim) (Copy herewith)	07
5. Council Financial Performance 2018/19 – June Outturn - report by the Chief Accountant (Interim) (Copy herewith)	49
6. Internal Audit Progress Report 2018/19 – report by the Internal Audit Manager (Copy herewith)	57
7. Audit Committee Forward Plan 2018/19 – report by the Strategic Director (Partnership and Performance) (Copy herewith)	69
8. Annual Complaints Report 2017/18 – report by the Customer Services Manager (Copy herewith)	75

## Audit Committee – Committee Members (Membership 8 - Quorum 4)

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### Councillors

### Wards

Councillor	Bill Mason	(Convenor)	5	Clackmannanshire East	CONS
Councillor	Dave Clark	(Vice Convenor)	2	Clackmannanshire North	LAB
Councillor	Darren Lee		1	Clackmannanshire West	CONS
Councillor	Helen Lewis		2	Clackmannanshire North	SNP
Councillor	Phil Fairlie		3	Clackmannanshire Central	SNP
Councillor	Derek Stewart		3	Clackmannanshire Central	LAB
Councillor	Chris Dixon		4	Clackmannanshire South	IND
Councillor	Ellen Forson		4	Clackmannanshire South	SNP

The Council agreed that the Convenor of the Audit Committee will rotate between the 2 Opposition parties on an annual basis.



**MINUTES OF SPECIAL MEETING of the AUDIT COMMITTEE held within the Council  
Chamber, Kilncraigs, Greenside Street, ALLOA, FK10 1EB, on THURSDAY 27  
SEPTEMBER 2018 at 9.30 am.**

**PRESENT**

Councillor Bill Mason (Convenor)  
Councillor Dave Clark (Vice Convenor)  
Councillor Phil Fairlie  
Councillor Ellen Forson  
Councillor Darren Lee  
Councillor Helen Lewis

**IN ATTENDANCE**

Stuart Crickmar, Strategic Director (Partnership and Performance)  
Gordon Smail, Audit Scotland  
Angus Brown, Audit Scotland  
Paula Tovey, Chief Accountant (Interim)  
Lindsay Thomson, Service Manager, Legal and Democracy (Clerk to the Committee)  
Melanie Moore, Committee Services

**AC(18)01      APOLOGIES**

Apologies for absence were received from Councillor Chris Dixon and Councillor Derek Stewart.

**AC(18)02      DECLARATIONS OF INTEREST**

None.

**AC(18)03      EXTERNAL AUDIT FINAL REPORT TO MEMBERS ON THE 2017/18  
AUDIT**

A report which provided an independent audit opinion on the Council's annual report and accounts.

**Motion**

That Committee agree to:

1. Note the content of the External Audit report.
2. Subject to the satisfactory conclusion of the outstanding matters, it is anticipated that, an unqualified audit opinion will be issued. On this basis that Committee to approve the 2017/18 Financial Statements.

Moved by Councillor Phil Fairlie. Seconded by Councillor Darren Lee.

**Decision**

The Committee agreed to:

1. Note the content of the External Audit report.
2. Subject to the satisfactory conclusion of the outstanding matters, it is anticipated that, an unqualified audit opinion will be issued. On this basis that Committee agreed to approve the 2017/18 Financial Statements.

**Action**

Chief Accountant (Interim)

Ends 1010 hours

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**Report to: Audit Committee**

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**Date of Meeting: 11 October 2018**

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**Subject: External Audit: 2017/18 Annual Audit Report**

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**Report by: Chief Accountant (Interim)**

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## **1.0 Purpose**

- 1.1. This report was originally considered by Audit Committee on 27 September 2018, at which time the 2017/18 Financial Statement was agreed.
- 1.2. At that meeting, it was agreed that Appendix 1, titled '*Clackmannanshire Council 2017/18 Annual Audit report*', would come back to Committee on 11 October for further questions and debate.

## **2.0 Recommendations**

It is recommended that Committee note, comment on and challenge the Clackmannanshire Council 2017/18 Annual Audit report.

## **3.0 Considerations**

- 3.1. The report at Appendix 1 sets out the areas reviewed by our External Auditors as detailed in the Code of Audit Practice 2016. The Code highlights five key audit dimensions: financial sustainability; financial management; governance and transparency; value for money and best value, to provide a focus for audit review activity.
- 3.2. The report provides an independent audit opinion on the Council's annual report and accounts.
- 3.3. Audit Scotland will attend this Committee meeting to present the report and provide a further opportunity for elected members to ask questions.
- 3.4. There are no direct financial implications arising from this report.

## **4.0 Sustainability Implications**

- 4.1. Issues relating to the Council's sustainability are addressed within the report attached at Appendix 1.

## 5.0 Resource Implications

### 5.1. Financial Details

5.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes ☒

5.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes ☒

### 5.4. Staffing - none

## 6.0 Exempt Reports

6.1. Is this report exempt? Yes ☐ (please detail the reasons for exemption below) No ☒

## 7.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box ☒)

The area has a positive image and attracts people and businesses	<input type="checkbox"/>
Our communities are more cohesive and inclusive	<input type="checkbox"/>
People are better skilled, trained and ready for learning and employment	<input type="checkbox"/>
Our communities are safer	<input type="checkbox"/>
Vulnerable people and families are supported	<input type="checkbox"/>
Substance misuse and its effects are reduced	<input type="checkbox"/>
Health is improving and health inequalities are reducing	<input type="checkbox"/>
The environment is protected and enhanced for all	<input type="checkbox"/>
The Council is effective, efficient and recognised for excellence	<input checked="" type="checkbox"/>

(2) **Council Policies** (Please detail)

## 8.0 Equalities Impact

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?  
Yes ☐ No ☒

## 9.0 Legality

9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes ☒

## 10.0 Appendices

- 10.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix 1: Audit Scotland 2017/18 Annual Audit Report – to follow

## 11.0 Background Papers

- 11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes ☒ (please list the documents below) No ☐

Financial Statement 2017/18

### Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Paula Tovey	Chief Accountant (interim	2078

### Approved by

NAME	DESIGNATION	SIGNATURE
Paula Tovey	Chief Accountant (Interim)	
Stuart Crickmar	Strategic Director Partnership & Performance	



# Clackmannanshire Council

## 2017/18 Annual Audit Report

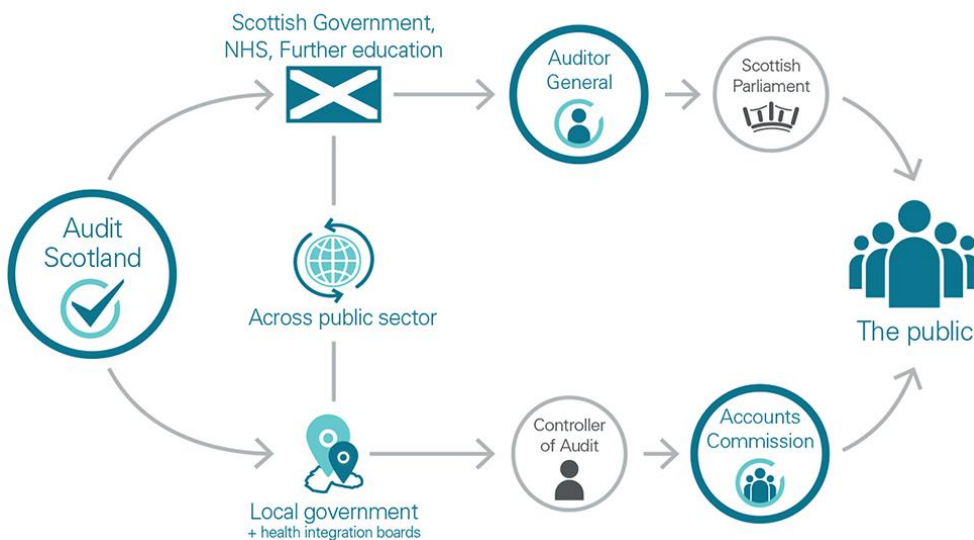


Prepared for the Members of Clackmannanshire Council and the Controller of Audit  
September 2018

## 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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# Key messages

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## 2017/18 annual accounts

- 1 In our opinion, the financial statements of Clackmannanshire Council and its group give a true and fair view and were properly prepared.
- 2 The audited part of the remuneration report, the management commentary and the annual governance statement are consistent with the financial statements and were properly prepared.

## Financial management

- 3 Savings agreed at the start of the year were not fully achieved. The council managed to operate within its revenue budget for 2017/18 through compensating savings and by restricting spending.
- 4 Underspending against the capital budget continued in 2017/18, with risks to effective service delivery and improvement.
- 5 The council should ensure that leadership and capacity in its finance function is sufficient to maintain effective financial management and reporting at a time when its finances are under unprecedented pressures.

## Financial sustainability

- 6 The council's financial position remains acute. Based on revised assumptions the council is forecasting it now needs to achieve further savings of £32 million over the next three years to balance budgets.
- 7 To date, the council has used reserves and savings to meet funding gaps. The council has reduced its reliance on reserves compared to previous years. For this to continue it must achieve savings this year and take decisive action in setting its 2019/20 budget.

## Governance and transparency

- 8 The council's governance arrangements during 2017/18 provided an appropriate framework for organisational decision-making. The council is open and transparent in the way it conducts its business, with public access to meetings of the council and its committees.

## Best Value

- 9 The council has started to address the recommendations in the Best Value Assurance Report. It is implementing new management and committee structures and is taking steps to introduce a programme management function. The council now needs to build on this work and take the next steps required to translate structural change into savings and new ways of working that will improve its financial position.
- 10 Substantial management changes are now underway and the council should closely monitor the impact on its services and finances. It should

also build on the external assistance it has secured to date to support further improvements in the areas identified in the BVAR.

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# Introduction

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1. This report summarises the findings arising from the 2017/18 audit of Clackmannanshire Council (the council) and its group.
2. The scope of the audit was set out in our Annual Audit Plan presented to the 15 March 2018 meeting of the Audit and Finance Committee. This report comprises the findings from:
  - an audit of the annual accounts
  - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

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## Exhibit 1

### Audit dimensions



Source: *Code of Audit Practice 2016*

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3. The main elements of our audit work in 2017/18 have been:
  - a Best Value Assurance Report published in January 2018
  - a review of the council's main financial systems resulting in a management report presented to the Audit and Finance Committee in May 2018
  - an audit of the council and its group's annual report and accounts including the issue of an independent auditor's report setting out our opinions
  - consideration of the four audit dimensions.

4. The council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.
5. The council is also responsible for compliance with legislation and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
6. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice \(2016\)](#) and supplementary guidance, and International Standards on Auditing in the UK.
7. As public-sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the council's performance management arrangements, suitability and effectiveness of corporate governance arrangements, and financial position and arrangements for securing financial sustainability. We also report on the council's Best Value arrangements and in doing this we aim to support improvement and accountability.
8. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).
9. This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.
10. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.
11. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and the 2017/18 audit fee of £199,840 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

## **Adding value through the audit**

12. Our aim is to add value to the council by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas of improvement and recommending and encouraging good practice. In so doing, we aim to help the council promote improved standards of governance, better management and decision-making and more effective use of resources.
13. This report is addressed to both the council and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.
14. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

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# Part 1

## Audit of 2017/18 annual accounts

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### Main judgements

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**In our opinion, the financial statements of Clackmannanshire Council and its group give a true and fair view and were properly prepared.**

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**The audited part of the remuneration report, the management commentary and the annual governance statement are consistent with the financial statements and were properly prepared.**

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### Audit opinions on the annual accounts

- 15.** The financial statements for the council and its group for the year ended 31 March 2018 were approved by the council on 27 September 2018. We reported, within our independent auditor's report, that in our opinion:
- the financial statements give a true and fair view and were properly prepared
  - the audited part of the remuneration report, the management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with requirements.
- 16.** We have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records and the information and explanations we received.

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The financial statements of the council and its group are the principal means of accounting for the stewardship of resources and performance in the use of resources.

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### Submission of the financial statements for audit

- 17.** We received the unaudited financial statements of the council and its group on 2 July 2018 as agreed with management. The council has significantly reduced the length of its annual report and accounts and has changed the presentation of information contained in the document. This is a positive development, designed to improve accessibility and the reader's understanding of the council's performance and its financial position.
- 18.** This was a transitional year in terms of the form and content of the annual report and accounts and coincided with changes in the staff involved in their preparation. We noted several presentational and disclosure issues which in our view could have been identified by a more comprehensive review before submission for audit. We discussed these with management who made the required changes in the audited financial statements.
- 19.** In addition, the working papers provided to support the financial statements were incomplete. Standard documentation we require to complete our audit, such as year-end bank reconciliations, was not provided. A clearer audit trail could also have been provided for some account areas.



## Recommendation 1

**The council should review its arrangements for preparing the financial statements to ensure their quality and accuracy.**

20. Finance staff provided good support to the audit team during the audit.

## Risk of material misstatement

21. [Appendix 2](#) sets out risks of material misstatement that we identified during the audit planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team.

## Materiality

22. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. The assessment of what is material is a matter of professional judgement and involves considering both the amount and nature of the misstatement. It is affected by our perception of the financial information needs of users of the financial statements.

23. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

24. On receipt of the annual accounts and following completion of audit testing we reviewed our planning materiality calculations and concluded that they remained appropriate. The materiality levels we applied during the audit are summarised in [Exhibit 2](#).

## Exhibit 2

### Materiality values

Materiality level	Amount
Overall materiality	£1.96 million
Performance materiality	£0.98 million
Reporting threshold	£50,000

Source: Audit Scotland

## Evaluation of misstatements

25. There were no material adjustments to the unaudited financial statements arising from our audit. We identified some monetary errors below our materiality level, but which exceeded our reporting threshold. All of these were amended by management in the audited accounts. These include:

- the misclassification of assets under construction (see [Exhibit 3](#), page 9) which reduces the council's non-current assets by £0.39 million and increases its net cost of services by £0.25 million
- a £1.30 million reduction in the council's pension liability to reflect actual asset returns (see [Exhibit 3](#), page 9) which has no net effect on the council's outturn for the year or its general fund balance
- impairment of land which reduces the council's non-current assets by £0.52 million and increases its net cost of services by the same amount
- additional income and expenditure accruals which in total increases the council's current assets by £0.08 million and reduces its net cost of services by the same amount
- inclusion of Coalsnaughton LLP as an associate in the council's group financial statements which increases the assets of the council's group by £1.44 million and has no effect on its net cost of services.

**26.** The net effect of these adjustments is to increase net cost of services in the group comprehensive income and expenditure account by £0.69 million and increase the group general fund balance by £0.61 million.

## Significant findings from the audit in accordance with ISA 260

**27.** International Standard on Auditing 260 (UK) requires us to communicate significant findings from the audit to those charged with governance. These are summarised in [Exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.


**28.** The findings include our views about significant qualitative aspects of the council's accounting practices including:

- |   |   |
|---|---|
| • Accounting policies   | • Accounting estimates and judgements   |
| • Significant financial statements disclosures                | • Timing of transactions and the period in which they are recorded              |
| • The impact on the financial statements of any uncertainties | • The effect of any unusual transactions on the financial statements            |
| • Misstatements in the annual accounts                        | • Disagreement over any accounting treatment or financial statements disclosure |

## Exhibit 3

### Significant findings from the audit of the financial statements

Finding	Resolution
<b>1. Assets under construction</b> Our audit testing identified that the council has misclassified several assets as assets under construction in the financial statements. Construction of these assets was completed in	The council has adjusted its financial statements to correct these errors. The overall effect is to reduce the council's non-current assets by £0.39 million and increase its net cost of services by £0.25 million.

Finding	Resolution
<p>previous years and some of the assets had been sold. Weaknesses in communication between the council's estates and finance teams meant that the council's fixed asset register and financial ledger had not been updated to reflect these changes. As a result, assets with a total value of £4.63 million were incorrectly disclosed as assets under construction in the accounts presented for audit.</p>	 <a href="#">Recommendation 2 (refer appendix 1, action plan)</a>
<p><b>2. Valuation of pension assets</b></p> <p>The council accounts for its share of the assets and liabilities of Falkirk Pension Fund in accordance with International Accounting Standard 19 Employee Benefits (IAS19). This relies on valuations of pension fund assets and liabilities by the actuary. The timing of actuarial reports means that actuaries produce their IAS19 reports using estimated data for the final part of the year. Asset returns estimated for the final part of the year were significantly lower than actual returns. As a result, the pension fund assets reported in the accounts presented for audit have been understated by £1.30 million.</p>	<p>The council obtained an updated IAS19 report from the actuary based on actual asset returns. It has adjusted its financial statements to reflect its share of pension fund assets based on this report. This reduces the council's pensions liability by £1.30 million and increases its pensions reserve by the same amount. Local government accounting regulations do not require the general fund to be charged with amounts calculated under IAS19. This means this adjustment does not impact the council's outturn for the year or its general fund balance.</p>
Source: Audit Scotland	

## Follow up of prior year recommendations

29. We have followed up actions previously reported and assessed progress with implementation, these are reported in [Appendix 1](#) and identified by the prefix b/f (brought forward).
30. In total, five agreed actions were raised in 2016/17. Of these, management has fully implemented two. The remaining three have yet to be actioned or have only partly been actioned.
31. Overall the council has made reasonable progress in implementing these actions. For those actions not yet implemented, revised responses and timescales have been agreed with management as set out in [Appendix 1](#).

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# Part 2

## Financial management

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### Main judgements

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**Savings agreed at the start of the year were not fully achieved. The council managed to operate within its revenue budget for 2017/18 through compensating savings and by restricting spending.**

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**Underspending against the capital budget continued in 2017/18, with risks to effective service delivery and improvement.**

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**The council should ensure that leadership and capacity in its finance function is sufficient to maintain effective financial management and reporting at a time when its finances are under unprecedented pressures.**

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### Financial performance in 2017/18

- 32.** The council approved its 2017/18 revenue budget of £118.1 million in March 2017. The council revised the budget during the year which resulted in a final budget of £120.5 million. The council recorded a general fund revenue underspend of £4.0 million against its final 2017/18 budget. The more significant underspends are summarised in [Exhibit 4](#).
- 33.** The council's 2017/18 budget included approved savings of £6.8 million of which £4.8 million (70%) were achieved in-year. Planned savings were not fully achieved because:
- the council was unable to implement planned changes to its unsocial hours policy
  - savings from voluntary redundancy and voluntary severance were less than anticipated
  - there was slower than expected progress in implementing service redesign.
- 34.** The council had budgeted to use contributions from reserves of £4.7 million to bridge a budget gap. Although the council did not achieve the full level of savings agreed in the 2017/18 budget it was able to deliver services within budget through compensating savings and planned reductions in spending. This meant the actual contribution from reserves required was £0.7 million.

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Financial management is about leadership and capacity in the finance function, sound budgetary processes and effective controls.

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## Exhibit 4

### Summary of significant underspends against budget

Area	Amount	Main reasons for variance
Social Services	£0.9 million	<p>The council has implemented a new delivery model to recruit internal foster carers reducing its use of external foster care providers. This has contributed to reduced spending of £0.7 million on foster and residential care.</p> <p>Income from external care placements was £0.3 million higher than expected.</p> <p>The council has transferred adult social care services to the Clackmannanshire and Stirling Integration Joint Board. The council's social services budget therefore only covers services provided to children.</p>
Development and Environment Services	£1.1 million	<p>Efficiencies, additional income and staff vacancies resulted in a £0.7 million underspend for environmental services.</p> <p>Building operations underspent by £0.2 million due to lower than expected costs for utilities, insurance and office moves.</p>
Education	£1.8 million	<p>The council received pupil equity funding for the 2017/18 academic year (August 2017 to July 2018). The council recorded a £0.8 million underspend reflecting unspent funds at the financial year end.</p> <p>The PPP secondary schools budget was underspent by £0.7 million due to an insurance refund and a reduction in the provision for costs disputed with the council's PPP provider. The council has worked proactively with its PPP provider to demonstrate its position and resolve the dispute in the council's favour.</p>

Source: Clackmannanshire Council

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## Housing revenue account

35. The council is required by legislation to maintain a separate housing revenue account (HRA) and to ensure that rents are set to at least cover the costs of its social housing provision. Rent levels are therefore a direct consequence of the budget set for the year.
36. The council made a budget surplus of £6.3 million in 2017/18 on its HRA which was higher than the budgeted surplus of £5.1 million. This increase was mainly due to staff vacancies and turnover which resulted in reduced costs for property repairs and maintenance and supervision and management.
37. The council has used the HRA surplus to make a £5.7 million capital contribution to fund future improvements to its housing stock. The remaining surplus in the year of £0.6 million is earmarked to support delivery of the council's housing business plan. The balance on the HRA at the end of the

2017/18 financial year increased to £2.6 million. These results indicate that the operation of the council's HRA currently remains financially sustainable.

## Capital programme 2017/18

38. Total capital expenditure in 2017/18 was £17.8 million, of which £11.4 million related to general services and £6.4 million to the HRA. This is an underspend of £10.1 million (36%) on the council's capital programme.
39. The underspend was due to a range of factors, the most significant of which are:
- School estates projects (£2.2 million) – due to delays in progressing work at three primary schools because of bad weather
  - Scottish Futures Trust (£1.9 million) – early receipt of grant funding
  - Clackmannan regeneration (£1.1 million) – due to delays in progressing work due to bad weather
  - HRA (£5.4 million) – due to delays in the repairs and refurbishment programme and energy efficiency works.
40. There is a trend of capital underspending in recent years with underspends of £11.1 million, £13.8 million and £9.8 million in 2016/17, 2015/16 and 2014/15 respectively. We highlighted this in our previous annual audit report and recommended that the council reviews its arrangements for managing the capital programme. The council is reviewing its strategic asset plans and is in the process of developing new plans. It has held a first strategic discussion on the school estate strategy, which is a major part of the council's capital programme, and work is underway to develop a 20 to 30-year capital plan.
41. The capital programme is a major part of the council's plans to achieve savings and improve services. It mainly includes major infrastructure projects that will help the council to deliver services more efficiently. There is a risk that recurring underspending leads to slippage in the capital programme which will affect the council's ability to achieve these aims.



### Recommendation 3

**The council should press on with work to improve the management of its capital programme.**

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## Borrowing in 2017/18

42. The council borrows to support its investment and development of long-term assets. The council has outstanding loans of £143.3 million at 31 March 2018, a decrease of £2.9 million on the previous year. This consists of external borrowing of £102.0 million and long-term liabilities relating to three school public private partnership leases of £41.3 million.
43. The council sets an authorised limit for external debt in its annual treasury strategy. This provides the maximum figure the council can borrow at any given point. The council also sets a lower operational boundary based on an estimate of the most likely level of external borrowing. The council's borrowing remains within its external borrowing limit of £162.0 million and operational boundary of £152.0 million.

## Systems of internal control

44. As part of our audit we identify and assess the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the council has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.
45. Our findings were included in our management report that was presented to the Audit and Finance Committee in May 2018. We identified areas where controls were not operating as expected or where improvements could be made. Overall, no significant control weaknesses were identified which could affect the council's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements.

## Budget monitoring

46. The [\*Local Government in Scotland: Financial overview 2016/17\*](#) (November 2017) highlighted that good budget processes become increasingly important for councils, like Clackmannanshire Council, which have decreasing and low levels of usable reserves to rely on.
47. In 2017/18 the Audit and Finance Committee was responsible for detailed scrutiny of financial performance. The committee received revenue and capital monitoring reports showing an overall picture of the budget position at service level. The reports also forecast the outturn position for the year and included explanations for significant variances against budget. They provided detailed information which allowed councillors to scrutinise the council's finances.
48. While the council received the unaudited accounts for 2017/18 in June 2018, management did not prepare a final outturn report for councillors setting out details of the financial performance of the council in 2017/18. In contrast to previous years, this means that councillors did not have the opportunity to scrutinise the financial performance of individual services in 2017/18 and investigate the reasons for significant revenue and capital over and underspends. The council's performance in achieving agreed savings was also not reported. This is a significant omission which management has informed us was due to changes in personnel in the finance team.



### Recommendation 4

**The council should review its year end budget monitoring arrangements to ensure councillors have the information and opportunity to scrutinise the council's finances.**

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## Financial management capacity

49. The section 95 officer (or chief financial officer) in a council is legally responsible for the council's finances. [\*How councils work: Roles and working relationships: are you getting it right?\*](#) highlighted the key role of the section 95 officer in ensuring sound financial management. This includes establishing and maintaining internal financial controls and providing professional advice to councillors on all aspects of the council's finances. Access to decision-makers and influence at a senior management level is critical.
50. In 2017/18 the council's section 95 officer was the Depute Chief Executive. In May 2018 the Chief Executive left the council and the Depute Chief Executive was after due process appointed to the role. Since May 2018 the section 95

officer has been the Interim Chief Accountant. The Interim Chief Accountant has direct access to the Chief Executive and is a member of the extended senior leadership group.

51. We have previously reported in the [Best Value Assurance Report: Clackmannanshire Council](#) that the council receives good quality information about its finances and has a clear understanding of the scale of the financial challenge. In the financial circumstances the council faces it is vital that the quality and timeliness of financial information is maintained.
52. In this report we have highlighted that the council could improve the quality of its unaudited financial statements and working papers, and its year-end budget monitoring arrangements. We accept that these issues may reflect the impact of recent management changes on the leadership and capacity of the finance team and may only be temporary. We are also aware that vacancies and staff absence in other services have also made it more difficult for finance staff to get information needed to prepare the financial statements. Nonetheless, in view of the council's acute financial position we believe that it is important to highlight this potential risk in this report to the council.
53. The council has started to implement a new organisational structure with the appointment of the Chief Executive and two strategic directors. The next stage to review services to determine the level at which they are most effectively and efficiently delivered is underway. This includes reviewing the structure of the finance team and agreeing permanent arrangements for the application of the section 95 officer role.



#### **Recommendation 5**

**The council should ensure that the actions it is taking secure the leadership and capacity in the finance team to support effective financial management.**

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# Part 3

## Financial sustainability

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### Main judgements

**The council's financial position remains acute. Based on revised assumptions the council is forecasting it now needs to achieve further savings of £32 million over the next three years to balance budgets.**

**To date, the council has used reserves and savings to meet funding gaps. The council has reduced its reliance on reserves compared to previous years. For this to continue it must achieve savings this year and take decisive action in setting its 2019/20 budget.**

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### Financial planning

- 54.** It is important that long term financial strategies (typically covering five years or more) are in place which link spending to the council's priorities. Councillors approve budgets for a single year, but this should be supported by indicative future spending plans (covering three years at least) that forecast the impact of relevant financial pressures.
- 55.** The council has effective arrangements for financial planning. Its budget strategy sets out its financial planning assumptions and indicative savings for a rolling four-year period. The council uses scenario planning to forecast funding gaps in a best, median (most likely) and worst-case scenario. These scenarios, which it regularly reviews, are based on different sets of assumptions for variables such as Scottish Government funding, inflation and pay awards. During 2017/18 this information was regularly presented to councillors in clearly set out reports which update them on predicted funding gaps.

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Financial sustainability looks forward to the longer-term to consider whether the council is planning effectively to continue to deliver its services or the way in which they should be delivered

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### Funding position

- 56.** The council approved its 2018/19 budget in March 2018. It set a general services revenue budget of £118.8 million including agreed savings of £7.4 million. This leaves a budget gap of £2.4 million. The council applied a £0.7 million reduction in anticipated demand pressures to the budget which reduces the budget gap to £1.7 million. This will be met through contributions from the capital receipts reserve and uncommitted revenue reserves.
- 57.** The council is facing an acute financial position. Based on revised assumptions it is forecasting annual funding gaps for 2019/20 to 2021/22 of £12.7 million, £9.3 million and £9.9 million respectively. This is a cumulative funding gap of £31.9 million and an increase from the three-year funding gap of £29.0 million reported this time last year. As a proportion of net expenditure this is among the highest funding gaps of any Scottish local authority.

### Reserves

- 58.** We reported in last year's annual audit report that continued use of reserves to meet funding gaps is not sustainable. The council has reduced its reliance on reserves compared to previous years. The level of usable reserves held by the

council increased from £16.1 million to £20.0 million in 2017/18. But the council's general fund balance, which is used to provide a contingency to meet unexpected expenditure and cushion the impact of uneven cash flows, decreased from £10.1 million to £9.7 million.

- 59.** The council reviews the level of its uncommitted reserves when setting the budget each year. The council's reserves strategy specifies that it should retain uncommitted reserves at a minimum level of three per cent of net expenditure. The uncommitted element of the general fund at 31 March 2018 was £3.8 million which represents 3.6% of net expenditure. This is a reduction of £1.0 million from the position reported in 2016/17 because reserves were applied to bridge the budget gap. This indicates that without further and effective action, the council's reserves strategy may be at risk.

## Savings plans

- 60.** The council plans to achieve its 2018/19 savings target of £7.4 million through:

- management efficiencies = £1.6 million
- policy savings = £2.9 million
- service redesign = £0.9 million
- budget savings approved in 2017/18 = £0.5 million
- non-recurring cash savings = £1.2 million
- savings from new organisational structure = £0.3 million.

- 61.** Officers report progress in achieving agreed savings in the budget strategy reports presented to council meetings. The latest position was reported to the August 2018 meeting of the council. This indicated that:

- £1.5 million of savings have been achieved
- £5.2 million are likely to be achieved (progressing to be delivered or a partial saving will be made)
- £0.7 million are unachievable.

Services have been asked to identify compensatory savings for those savings which will not be achieved.

- 62.** The council knows it needs to continue to find and achieve savings, particularly given the low level of available reserves. The council agreed a new strategic model for providing services in March 2017. Implementation started in 2017/18 and created savings of £0.3 million through management changes. The council plans to use the model to create further savings and the conditions for improved services. The council has arranged services into three categories:

- People – services focused on individuals, families or groups of individuals with certain needs
- Place – services focused on environments and geographic areas
- Partnerships and Performance – services which enable the council to deliver its people and place priorities.

63. The new model focuses on greater integration of services, with new ways of working across departments. The council plans to review all services to determine the level at which they are most effectively and efficiently delivered. It aims to generate savings by reducing the level of resources required to deliver services.
64. Senior councillors and chief officers are working together to identify savings priorities which will form the basis for savings plans for 2019/20 and beyond. The council is also reviewing other local authorities' savings plans to ensure it is considering all areas for potential savings. The council will need to make difficult decisions to achieve financial balance in the medium term.



### Recommendation 6

**The council should build on work underway to develop savings plans to address the substantial funding gaps it has identified in each of the next three years.**

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## EU withdrawal

65. There remains significant uncertainty about the detailed implications of EU withdrawal (i.e. Brexit). It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:
- Workforce - the extent to which changes to migration and trade policies are likely to affect the availability of skilled and unskilled labour.
  - Funding – the extent to which potential changes to funding flows are likely to affect the finances of the organisation and the activity that such funding supports.
  - Regulation – the extent to which potential changes to regulation across a broad range of areas overseen at an EU level are likely to affect the activities of the organisation.
66. The council is aware of the risks associated with EU withdrawal and has assessed how it is likely to be affected. It employs very few EU nationals, so does not believe there will be significant workforce implications. It receives EU funding through the EU's European Regional Development Fund and has received guarantees from the UK government that funding will be made available for all existing projects. It has also considered the wider financial impact of Brexit in its budget strategy reports to members.

## City Region Deal

67. City Region Deals provide city regions with the opportunity to deliver infrastructure, innovation and employment projects to improve economic performance. The UK and Scottish governments both provide funding with councils contributing additional funding. Clackmannanshire and Stirling councils entered a joint bid for a City Region Deal which was approved in 2016.
68. The City Region Deal covers three main themes:
- Investor confidence – increasing private sector investment in the area
  - Inclusive growth – developing the local workforce

- Sustainable place – investment in green jobs, green infrastructure and green energy.
- 69.** Funding will be spent in specific areas of Clackmannanshire in keeping with the targeted nature of the Clackmannanshire local outcome improvement plan.
- 70.** Clackmannanshire and Stirling councils and the UK and Scottish governments reached a head of terms agreement in May 2018. This commits all parties to achieving full implementation of the Stirling and Clackmannanshire City Region Deal. In August 2018 the council agreed governance arrangements for the City Region Deal, which are aligned with the arrangements agreed by Stirling Council. This includes a joint committee established with Stirling Council which will be a decision-making forum for City Region Deal matters.
- 71.** The council launched the Clackmannanshire Commission in September 2018. This is an advisory board of local public, private and third sector organisations which will guide investment, project development and prioritisation.

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# Part 4

## Governance and transparency

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### Main judgements

**The council's governance arrangements during 2017/18 provided an appropriate framework for organisational decision-making. The council is open and transparent in the way it conducts its business, with public access to meetings of the council and its committees.**

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#### Governance arrangements

- 72.** In 2017/18 the council's corporate governance framework centred on the Full Council supported by its standing committees. Council and committee meetings are well attended by councillors and papers are subject to a good level of scrutiny. The governance arrangements in place during 2017/18 provided an appropriate framework for organisational decision-making.

#### Transparency

- 73.** Transparency means the public have access to understandable, relevant and timely information about how the council takes decisions and uses resources such as money, people and assets.
- 74.** Overall, the council conducts its business in an open and transparent manner. Members of the public can attend council and committee meetings. Minutes of these committee meetings and supporting papers are available on the council's website. The website also provides public access to a wide range of information including the register of members' interests, current consultations and surveys, and how to make a complaint. The council makes its financial statements available on its website.
- 75.** The council consulted with residents on savings options in the process of agreeing the 2018/19 budget. It is developing an approach to establish more regular discussions with communities on its acute financial position and the options available to help it address it.
- 76.** We identified during the planning stage of our audit that the council did not have an up to date register of interests for senior officers. There was a lack of available information regarding the interests, financial or otherwise, of senior officers, and a consequent risk of a lack of transparency. The council put a register of senior officers in place during 2017/18. We have reviewed this and are satisfied it provides a timely record of senior officers' interests.
- 77.** The council has significantly reduced the length of its annual report and accounts and has changed the presentation of information contained in the document. This is a positive development, designed to improve accessibility and the reader's understanding of the council's performance and its financial position. The council should continue to identify opportunities to improve the presentation of the financial statements to make them more accessible to stakeholders.

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Governance and transparency is concerned with the effectiveness of scrutiny and governance, leadership and decision making and transparent reporting of financial and performance information.

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## Internal audit

78. The council's internal audit function is provided through a joint resourcing agreement with Falkirk Council. Falkirk Council provides management and resources under the terms of the agreement. Each year we consider whether we can rely on internal audit work to avoid duplication of effort. When we plan to place reliance on internal audit's work we carry out an assessment of its documentation standards, reporting procedures and quality, and whether work is performed in accordance with Public Sector Internal Audit Standards (PSIAS).
79. We reviewed the council's internal audit arrangements in accordance International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent we could rely on the work of internal audit. We concluded that we would place formal reliance on internal audit's Payroll Transactional Testing audit. We also considered the findings of internal audit reports on cyber security and procurement as part of our wider dimension work.

## Management commentary, annual governance statement and the audited element of the remuneration report

80. The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 requires councils to prepare and publish, 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. The management commentary should be fair, balanced and understandable and clearly address the longer-term financial sustainability of the body.
81. Based on our knowledge and work performed, we concluded that the management commentary, annual governance statement and the audited element of the remuneration report are consistent with the financial statements.

## Standards of conduct for prevention and detection of fraud and error

82. We have responsibility for reviewing the arrangements put in place by management for the prevention and detection of fraud. We reviewed the council's arrangements including policies and codes of conduct for staff and councillors, whistleblowing, fraud prevention and fraud response plan.
83. Based on the evidence we reviewed, we concluded that the council has adequate arrangements in place for the prevention and detection of fraud.

## National Fraud Initiative

84. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.
85. In 2016/17 we reported that the council had made limited progress in investigating NFI matches with only 2% of matches reviewed as of August 2017. We recommended that the council work to complete its review of priority NFI matches and ensure it has suitable resource to carry out this work. The council agreed to address this and made a commitment to complete a review of NFI matches by February 2018.
86. NFI activity is summarised in [Exhibit 5](#). This shows that the council has now investigated all NFI matches recommended for investigation. The council reported its progress with the NFI exercise and response to our

recommendations for improvement to the Audit and Finance Committee in November 2017.

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## Exhibit 5

### NFI activity



1,350

Matches



472

Recommended for  
investigation



472

Completed/closed  
investigations

Source: NFI secure website: [www.nfi.gov.uk](http://www.nfi.gov.uk)

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## Integration of health and social care

87. Clackmannanshire and Stirling Integration Joint Board (IJB) provides health and social care services across the council areas. The IJB includes Clackmannanshire Council, Stirling Council and NHS Forth Valley. In 2017, the council transferred operational responsibility for adult social care services to the IJB. Stirling Council and NHS Forth Valley are working towards delegating services in the same way.
88. The financial transactions of the IJB have been consolidated into the council's group financial statements. The unaudited accounts of the IJB show that it incurred a deficit of £1.1 million. The IJB's financial position was regularly monitored during the financial year. As the extent of the overspend became clear, partners agreed a recovery plan to help mitigate the overspend.
89. The council and its partners will need to assess and demonstrate improvements to the quality or efficiency of services provided under the new arrangements.

## Local scrutiny plan

90. The 2018/19 Local Scrutiny Plan (LSP) prepared by the Local Area Network (LAN) of scrutiny partners for the council was submitted to the council in April 2018. It was presented to the Audit and Finance Committee in May 2018. The LAN reflected on planned Best Value work and did not identify any new scrutiny risks in the year which would require specific scrutiny work during 2018/19. The council will be subject to a range of nationally driven scrutiny activity as set out in the LSP.

## Following the public pound

91. 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.
92. The council's financial regulations contain a specific section on following the public pound. These emphasise that services must adhere to the council's guidance for allocating funds to external organisations.
93. We concluded that the council has appropriate arrangements for ensuring compliance with the Code of Guidance on funding external bodies and following the public pound.

## Statutory performance indicators (SPIs)

- 94.** The Accounts Commission places great emphasis on councils' responsibility for public performance reporting. The Commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.
- 95.** For 2017/18 two SPIs were prescribed:
- SPI 1: covering a range of information relating to areas of performance such as improving local public services, improving local outcomes, engaging with communities and achieving best value
  - SPI 2: relates to the reporting of performance information as required by the Local Government Benchmarking Framework.
- 96.** Overall, we concluded that the council's arrangements for publication are satisfactory.

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# Part 5

## Best Value

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### Main judgements

The council has started to address the recommendations in the Best Value Assurance Report. It is implementing new management and committee structures and is taking steps to introduce a programme management function. The council now needs to build on this work and take the next steps required to translate structural change into savings and new ways of working that will improve its financial position.

Substantial management changes are now underway and the council should closely monitor the impact on its services and finances. It should also build on the external assistance it has secured to date to support further improvements in the areas identified in the BVAR.

### Best Value

97. The statutory duty of Best Value applies to the council as an entity. To assess progress, we consider audit findings across the audit dimensions shown in Exhibit 1 (page 5). This section of our annual audit report reflects this with reference to the Best Value Assurance Report (BVAR) we produced in January 2018 and the Accounts Commission's findings on that report. Specifically, we focus here on the council's progress in implementing the organisational change which the council sees as central in improving its serious financial position.

98. The BVAR explained the background and basis for our conclusion that the council faces an acute financial position. It had made significant savings over recent years but had yet to make the transformational change necessary to secure its financial position. The report made four recommendations:

- Councillors and officers should build on their constructive working relationships to provide the coherent, combined leadership necessary to secure the council's position.
- The council should consider savings options and decide how best to direct resources to priorities. It should work with communities to develop options and prepare for the difficult decisions it has to make.
- The council should further develop its working relationships with community planning partners to ensure their combined resource is directed towards the strategic local outcomes.
- The council should balance the drive for savings with the need for sufficient officer time and skills to support change. It should also consider how it could make more use of external assistance to support improvement.

99. In March 2018 the council agreed an action plan to progress the recommendations of the BVAR. The council has committed to:

- take forward whole organisational redesign and service transformation

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Best Value centres on using resources effectively and continuous improvement.

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- agree key priorities for future workforce development to enable and support redesign and change
- establish a governance process and structure to drive, oversee and monitor the redesign and change process
- put in place programme management and governance arrangements, as well as other capacity, required to support the transformation process.

**100.** In its findings, the Accounts Commission requested a further report by the Controller of Audit on the progress made by the council in June 2019, or earlier if the Controller identifies concerns.

## Organisational change and transformation

**101.** The council agreed a new strategic model with three broad categories of service; people, place, and partnerships and performance. It has started to implement its new management structure. Following the appointment of a new Chief Executive in July 2018, and at the time of producing this report, appointments have been made to two of the three new strategic director positions (place, and partnerships and performance). This process has taken longer than the council expected. Consequently, it has made limited direct savings so far from its new model, with £0.3 million achieved in 2017/18.

**102.** Leadership and capacity for change and improvement was a central theme in the BVAR. The next stage of the council's change programme to review services to determine the level at which they are most effectively and efficiently delivered is underway. In this report we have highlighted issues which may be directly associated with changes taking place, in the context of the annual financial audit, with particular references to finance and estates.

**103.** In August 2018, the council agreed to establish a Board to oversee the management of change in the council. The membership includes the Chief Executive, strategic directors, the council leader and representatives from each of the three political parties. The council has also agreed to recruit a programme manager to establish and lead a programme management office to support and coordinate the council's change programme.

**104.** The council implemented a new committee structure in 2018/19 to reflect its new strategic model. Three new service committees, for people, place, and partnerships and performance, have been formed and had their first meetings in August and September 2018. A new audit committee has also been established to replace the Audit and Finance Committee and Scrutiny Committee. The new committee, which will meet for the first time in October 2018, is chaired by a member of the opposition, in line with accepted good practice.

**105.** Consistent with the BVAR recommendation and the Accounts Commission's findings, the council has secured a range of external assistance to support improvement. Officers are working with Stirling University to better understand how local factors, such as unemployment and deprivation, affect the demand for council services. This will be used to inform early intervention and prevention programmes. It has also received advice from the Improvement Service on setting up its new programme management function. Finally, the council is working with an external specialist to help councillors and officers build the combined, coherent leadership which we believe is critical if the council is to make the substantial savings and shifts in service design and delivery required to deal with its acute financial position. This work will also support development and delivery of the council's updated corporate plan, which is still to be finalised.

**106.** In summary, the council has started work to address the recommendations of the BVAR. It is implementing new management and committee structures and is taking steps to introduce a programme management function. The next stage to review services to determine the level at which they are most effectively and efficiently delivered is underway. The council now needs to build on this work and take the next steps required to translate structural change into savings and new ways of working that will improve its financial position. The 2019/20 budget will be a crucial test of the council's ambition for transformational change.

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### **Recommendation 7**

**The council should build on work already underway and take the next steps to secure the changes needed to address its acute financial position.**

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### **National performance audit reports**

- 107.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2017/18, Audit Scotland published reports which are of direct interest to the council. These are outlined in [Appendix 3](#).
- 108.** Particular reports which the council will find helpful in addressing the challenges it faces include [Local government in Scotland: Financial overview 2016/17](#) and the Best Value Assurance Reports prepared for other councils in 2017 and 2018.

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# Appendix 1

## Action plan 2017/18

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### 2017/18 recommendations for improvement

No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>Submission of financial statements for audit</b></p> <p>This was a transitional year in terms of the form and content of the annual report and accounts and coincided with changes in the staff involved in their preparation. We noted several presentational and disclosure issues which in our view could have been identified by a more comprehensive review before submission for audit. In addition, the working papers provided to support the financial statements were incomplete.</p> <p><b>Risk</b></p> <p>Poor quality and inaccurate financial statements are presented for audit and to councillors.</p>	<p>The council should review its arrangements for preparing the financial statements to ensure their quality and accuracy.</p> <p><a href="#">Paragraph 19</a></p>	<p>The timing of a number of key staff departures, left the finance team on a steep learning curve for the year end. No additional resources were available to support this process. A number of learning points have been recorded from the process and these will be implemented for the 2018/19 accounts. Including better timetabling, documentation and earlier planning.</p>
2	<p><b>Assets under construction</b></p> <p>Our audit testing identified that the council has misclassified several assets as assets under construction in the financial statements. Construction of these assets was completed in previous years and some of the assets had been sold. Weaknesses in communication between the council's estates and finance teams meant that the council's fixed asset register and financial ledger had not been updated to reflect these changes. As a result, assets with a total value of £4.6 million were incorrectly disclosed as assets under construction in the accounts presented for audit.</p>	<p>The council should ensure there is clear and regular communication between the finance team and other service areas, particularly during the financial statements preparation process.</p> <p><a href="#">Paragraph 28</a></p>	<p>With the loss of the only Council surveyor and the Capital Investment Group ceasing, communications did fail.</p> <p>A new Capital Operations Group has now been implemented, with communication and joint working now in operation. This has occurred before the audit commenced.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p><b>Risk</b></p> <p>The council is not aware of changes affecting its assets which results in errors in the financial statements.</p>		
3	<p><b>Capital programme</b></p> <p>The council's trend of capital underspending continued in 2017/18 with an underspend of £10.1 million on the capital programme which represents 52% of planned spending. The capital programme is a major part of the council's plans to achieve savings and improve services. It mainly includes major infrastructure projects that will help the council to deliver services more efficiently. There is a risk that recurring underspending leads to slippage in the capital programme which will affect the council's ability to achieve these aims.</p> <p><b>Risk</b></p> <p>Recurring underspending leads to slippage in the capital programme which affects the council's ability to achieve savings and improve services.</p>	<p>The council should press on with work to improve the management of its capital programme.</p> <p><a href="#">Paragraph 41</a></p>	<p>The capital planning priorities are currently under review as the new Strategic Directors begin to review their budgets and long-term capital plans. These are being aligned with the new Corporate plan and LOIP outcomes.</p> <p>During 2018/19 a capital strategy will be produced which will set out the vision and context for these plans.</p> <p>The elected members are actively involved with scrutinising these Capital Asset Plans, monitoring and challenge will be rigorous during 2018/19.</p>
4	<p><b>Budget scrutiny</b></p> <p>While the council received the unaudited accounts for 2017/18 in June 2018, management did not prepare a final outturn report for councillors setting out details of the financial performance of the council in 2017/18. In contrast to previous years, this means that councillors did not have the opportunity to scrutinise the financial performance of individual services in 2017/18 and investigate the reasons for significant revenue and capital over and underspends. The council's performance in achieving agreed savings was also not reported. This is a significant omission which management has informed us</p>	<p>The council should review its year end budget monitoring arrangements to ensure councillors have the information and opportunity to scrutinise the council's finances.</p> <p><a href="#">Paragraph 48</a></p>	<p>The timetabling of Committee meetings meant that the first opportunity to report the year end draft outturn would have been June, at which, the draft final accounts were also being presented.</p> <p>For 2018/19 a draft outturn will be presented to the June 2019 Audit Committee.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>was due to changes in personnel in the finance team.</p> <p><b>Risk</b></p> <p>The council's finances are not adequately scrutinised and services are not held to account for their spending.</p>		
5	<p><b>Financial management capacity</b></p> <p>Since May 2018 the section 95 officer has been the Interim Chief Accountant. The Interim Chief Accountant has direct access to the Chief Executive and is a member of the extended senior leadership group. In this report we have highlighted that the council could improve the quality of its unaudited financial statements and working papers, and its year-end budget monitoring arrangements. We accept that these issues may reflect the impact of recent management changes on the leadership and capacity of the finance team and may only be temporary. We are also aware that vacancies and staff absence in other services have also made it more difficult for finance staff to get information needed to prepare the financial statements. Nonetheless, in view of the council's acute financial position we believe that it is important to highlight this potential risk in this report to the council.</p> <p><b>Risk</b></p> <p>The finance team does not have sufficient leadership and capacity to support effective financial management.</p>	<p>The council should ensure that the actions it is taking secure the leadership and capacity in the finance team to support effective financial management.</p> <p><a href="#">Paragraph 53</a></p>	<p>The vacant statutory posts will be recruited once the Strategic Directors recruitment has been completed.</p> <p>Highly competitive salaries within commuting distance, makes recruiting in Clackmannanshire problematic, within certain staffing areas. Ways to improve this position will be sought as part of the process.</p> <p>A section 95 Officer will be recruited in the year.</p>
6	<p><b>Savings plans</b></p> <p>The council knows it needs to continue to find and achieve savings, particularly given its low level of available reserves. It agreed a new strategic model for providing services in March 2017. The new model focuses on greater integration of services,</p>	<p>The council should build on work underway to develop savings plans to address the substantial funding gaps it has identified in each of the next three years.</p> <p><a href="#">Paragraph 64</a></p>	<p>The 2019/20 Budget Challenge sessions are well underway, with elected members being fully aware of the need to put in place realistic savings plans.</p> <p>The experience of recent years will now ensure that timescales are more realistic,</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>with new ways of working across departments. The council aims to generate savings by reducing the level of resources required to deliver services. Senior councillors and chief officers are working together to identify savings priorities which will form the basis for savings plans for 2019/20 and beyond. The council will need to make difficult decisions to achieve financial balance in the medium term.</p> <p><b>Risk</b></p> <p>The council is unable to deliver priority services.</p>		<p>especially around VS and TVR processes and the resultant savings these produce.</p> <p>The new Strategic Directors are working with their teams to fully review service provision and live within the budget available in future years. This will involve consultation and difficult discussions with the Community.</p>
7	<p><b>Organisational change and transformation</b></p> <p>The council has started work to address the recommendations of the BVAR. It is implementing new management and committee structures and is taking steps to introduce a programme management function. The next stage to review services to determine the level at which they are most effectively and efficiently delivered is underway. The council now needs to build on this work and take the next steps required to translate structural change into savings and new ways of working that will improve its financial position. The 2019/20 budget will be a crucial test of the council's ambition for transformational change.</p> <p><b>Risk</b></p> <p>The council does not make the transformational change necessary to secure its financial position.</p>	<p>The council should build on work already underway and take the next steps to secure the changes needed to address its acute financial position.</p> <p><a href="#">Paragraph 106</a></p>	<p>The restructure included the development of a Project Management Office to ensure that future projects are fully evaluated and costed before implementation.</p> <p>Work has commenced on sourcing an external resource for this and it is hoped that the Change Manager will be in post before Christmas.</p>
Follow up of prior year recommendations			
b/f	<p><b>1. Accuracy of asset register</b></p> <p>During our audit testing we noted differences between the revaluation reserve values recorded in the council's fixed asset register and the</p>	<p>The council should review its fixed asset register and take corrective action to ensure individual asset values are accurately recorded.</p>	<p>The council has misclassified several assets as assets under construction in the fixed assets register and financial statements. See action plan point 3.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>corresponding values recorded in its financial ledger. The individual differences are not material and the net book values for each category of asset have been correctly recorded in the financial statements. It is important that the council maintains an accurate record of its assets to ensure it correctly accounts for these in future years.</p> <p><b>Risk</b></p> <p>Assets are incorrectly accounted for in future financial statements.</p>		
b/f	<p><b>2. Capital programme</b></p> <p>There was significant underspending in the council's capital programme of £11.107 million (52%). This continues the trend of capital underspends in recent years.</p> <p><b>Risk</b></p> <p>Recurring underspending could lead to slippage in the capital programme which in turn could adversely affect service delivery and the achievement of the council's strategic priorities.</p>	<p>The council should review its arrangements for managing the capital programme to ensure they are effective.</p>	<p>The council reported another significant capital underspend in 2017/18. See action plan point 4.</p>
b/f	<p><b>3. National Fraud Initiative</b></p> <p>The council has made limited progress in investigating NFI matches with only 2% of matches reviewed as of August 2017.</p> <p><b>Risk</b></p> <p>The council does not identify fraudulent activity or errors resulting in financial loss.</p>	<p>The council should work to complete its review of priority NFI matches and ensure it identifies suitable resource to carry out this work.</p>	<p>The council has now investigated all NFI matches recommended for investigation.</p>
b/f	<p><b>4. Financial planning</b></p> <p>The council's budget strategy is aligned with the aims of its change programme, Making Clackmannanshire Better. Further work is required to ensure there is a clearer link</p>	<p>The council should work to ensure savings plans and financial projections are aligned with its refreshed priorities.</p>	<p>Senior councillors and chief officers are working together to identify savings priorities which will form the basis for savings plans for 2019/20 and beyond.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>between all budget decisions and the priorities outlined in the council's corporate plan. The council is planning to work to ensure savings plans and financial projections reflect the objectives, priorities and structures required to ensure achievement of its ambitions. This is an important exercise, particularly as the council is refreshing its corporate plan, Taking Clackmannanshire Forward.</p> <p><b>Risk</b></p> <p>Budget decisions do support the council's priorities.</p>		
b/f	<p><b>5. Savings plans</b></p> <p>The council has identified substantial funding gaps in each of the next three years. It has recognised that it cannot continue to use reserves to meet budget gaps. The council plans to make significant savings from a new strategic model. It has yet to identify the savings achievable from redesigning how it delivers services.</p> <p><b>Risk</b></p> <p>The council is unable to deliver priority services.</p>	<p>The council should work to develop savings plans to address funding gaps. This should include identification of the savings it expects to achieve from its new strategic model.</p>	<p>Senior councillors and chief officers are working together to identify savings priorities which will form the basis for savings plans for 2019/20 and beyond. The council will need to make difficult decisions to achieve financial balance in the medium term. See action plan point 7.</p> <p>The council is in the early stages of implementing its new strategic model and is yet to achieve significant savings.</p>

# Appendix 2

## Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating to our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
<b>Risks of material misstatement in the financial statements</b>		
<b>1 Risk of management override of controls</b>  ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.	Detailed testing of journal entries.  Review of accounting estimates.  Focused testing of accruals and prepayments.  Evaluation of significant transactions that are outside the normal course of business.	We tested journal entries, accruals and prepayments and reviewed accounting estimates and found no material errors.
<b>2 Risk of fraud over income</b>  The council receives a significant amount of income in addition to Scottish Government funding, for example council tax and charges for services. The extent and complexity of income means that, in accordance with ISA 240, there is an inherent risk of fraud.	Analytical procedures on income streams.  Testing of key controls.  Focused substantive testing on higher risk areas.	Our analytical procedures and substantive testing found no instances of fraud over income.  We identified some controls weaknesses from our testing of key controls. We carried out additional work to give us assurance over the accuracy of the council's financial statements.
<b>3 Risk of fraud over expenditure</b>  The Financial Reporting Council's Practice Note 10 (revised) requires public sector auditors to give consideration of the risk of fraud over expenditure. The extent of expenditure, for example on benefits and grants, means that there is an inherent risk of fraud.	Analytical procedures on expenditure streams.  Testing of key controls.  Focused substantive testing on higher risk areas.	Our analytical procedures and substantive testing found no instances of fraud over expenditure.  We identified some controls weaknesses from our testing of key controls. We carried out additional work to give us assurance over the accuracy of the council's financial statements.
<b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b>		












Audit risk	Assurance procedure	Results and conclusions
<p><b>4 Financial sustainability</b></p> <p>The council projects it will have to achieve savings amounting to £29 million of its current budget in the years 2018 to 2021. This is about a quarter of the current budget of £118 million.</p> <p>There are increasing financial pressures due to demand, for example adult social services within the Integration Joint Board.</p> <p>There is a risk that the council will find it increasingly difficult to meet savings targets in future years and maintain financial sustainability.</p>	<p>Assess the achievement of savings and the council's progress against funding gaps.</p> <p>Review the sustainability of the budget strategy and savings plans.</p>	<p>The council did not fully achieve agreed savings in 2017/18 but was able to deliver services within budget through compensating savings, restricting spending and net underspends within services.</p> <p>The council's financial position remains acute and is worsening. It needs to achieve further savings of £32 million over the next three years.</p>
<p><b>5 Service transformation</b></p> <p>The council is starting a programme of change designed to achieve savings and improve services.</p> <p>There is a risk that the council is unable to achieve the service transformation required to address its financial challenge whilst having sufficient officer time and skills to support change.</p>	<p>Assess progress on the four main themes of the transformation programme, including progress on the workforce strategy and the corporate plan.</p> <p>Follow-up recommendations in the January 2018 Best Value Assurance Report and the issues raised in the Accounts Commission's findings.</p>	<p>We have reported the council's progress with its plans to achieve savings and improve services and address the recommendations of the Best Value Assurance Report in part 5 of this report.</p>
<p><b>6 Openness and transparency</b></p> <p>The council does not have an up to date register of interests for senior officers. There is a lack of available information regarding the interests, financial or otherwise, of senior officers, and a consequent risk of a lack of transparency.</p>	<p>The council has undertaken to produce a register of senior officer interests as part of the processes for producing the annual governance statement. We will review the process and documentation as part of the financial statements audit.</p>	<p>The council put a register of senior officers in place during 2017/18. We have reviewed this and are satisfied it provides a timely record of senior officers' interests.</p>

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# Appendix 3

## Summary of national performance reports 2017/18

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 2017/18 Reports		
Apr		
May		
Common Agricultural Policy Futures programme: further update		<b>Jun</b>  Scotland's colleges 2017
		Jul  NHS workforce planning
Self-directed support: 2017 progress report		<b>Aug</b>
Equal pay in Scottish councils		<b>Sept</b>
Transport Scotland's ferry services		<b>Oct</b>  NHS in Scotland 2017
Local government in Scotland: Financial overview 2016/17		<b>Nov</b>
Dec		
Jan		
Early learning and childcare		<b>Feb</b>
Managing the implementation of the Scotland Acts		<b>Mar</b>

### Local government relevant reports

[\*Self-directed support: 2017 progress report\*](#) – August 2017

[\*Equal pay in Scottish councils\*](#) – September 2017

[\*Local government in Scotland: Financial overview 2016/17\*](#) – November 2017

# Clackmannanshire Council

## 2017/18 Annual Audit Report

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**Report to: Audit Committee**

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**Date of Meeting: 11 October 2018**

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**Subject: Council Financial Performance 2018/19 – June Outturn**

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**Report by: Chief Accountant (interim)**

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## **1.0 Purpose**

- 1.1 This paper provides an update on the financial performance for the Council in respect of the General Fund (GF) revenue, capital and the achievement of savings to date, for the current financial year, 2018/19.
- 1.2 This paper provides an update on the financial performance for the Council in respect of the Housing Revenue Account (HRA) revenue and capital spend, for the current financial year, 2018/19.

## **2.0 Recommendations**

The Committee is asked to note the report, commenting and challenging as appropriate:

- 2.1 The Councils' forecast General Fund (GF) revenue overspend for the year of £0.087m.
- 2.2 The forecast Health and Social Care Partnership (H&SCP) overspend for the year of £1.485m.
- 2.2 The forecast Housing Revenue Account (HRA) revenue surplus for the year of (£ 0.439m) to March 2019.
- 2.3 The capital programme in both HRA and GF are currently showing slippage and are expected to be marginally underspent by the year end.
- 2.4 The 65.8% achievement in delivering the £7.3m savings programme to the end of June.

## **3.0 Background**

This report summarises the draft financial position of the Council for the financial year ended 31<sup>st</sup> March 2019. This report consolidates all of the detailed services financial data to provide a summary position. The report also provides details of individual Service positions. The forecast Outturn position reflected in this report will be reviewed and updated throughout the

year by service managers with the support of Accountancy, to ensure the budget are accurately reflected within the new service areas.

#### 4.0 General Fund Revenue

- 4.1 Overall the Council is forecasting an overspend of (£1.572m) for the year ended 31<sup>st</sup> March 2019. The table below shows the breakdown by each division and each theme within that division.

Table 1 GF revenue forecast outturn to March 2019

People Service	Over/ (underspend) £000s
Care & Protection Total	10
Education & Learning Total	(466)
Support & Wellbeing Total	178
People Total Underspend	(278)
Place Service	Over/ (underspend) £000s
Environment Total	185
Property & Facilities Total	960
Development Total	(105)
Place Total Overspend	1,040
Performance	Over/ (underspend) £000s
Resources Total	(562)
Strategic Support Total	(111)
Risk & Governance Total	(2)
Performance Total Underspend	(675)
Council (before Partnerships) Overspend	87

Partnerships	Over/ (underspend) £000s
Health & Social Care Partnership	
Partnerships Total Overspend	1,485

- 4.2 Partnerships & Performance has been separated into Performance (*under the Strategic Directors control*) and Partnerships (*under the control of the HS&CP Chief Officer*). This indicates that the Council is forecast to be slightly overspent £0.087m for the year ended March 2019, and that the Partnership budgets will overspend by £1.485m by the end of the year.

- 4.3 Each division receives its own finance report and the detailed variances are contained within that report and are available on the Council website.
- 4.4. Earmarked Reserves provided for, at the financial year end, have been assumed within these forecasts.

## 5.0 Housing Revenue Accounts

- 5.1 The HRA is now reported within the Place Committee finance report. The report indicated that the HRA revenue position is £0.439 ahead of the budgeted surplus to March 2019.

Table 2 HRA Revenue forecast outturn to March 2019

Housing Revenue Account	Over/ (underspend) £000s
Employee Expenditure	(269)
Premises Expenditure	(58)
Transport Expenditure	(43)
Supplies & Services	(10)
Third Party Payments	(20)
Support Services	(249)
Capital Financing Costs	115
<b>Total Expenditure Underspend</b>	<b>(534)</b>
<b>Total Income Under recovered</b>	<b>95</b>
<b>HRA Total Underspend</b>	<b>(439)</b>

- 5.2 Committed levels of spend will continue to be maintained and updated forecasts provided during the year.

## 6.0 Capital

- 6.1 General Fund capital is forecasting a £0.233m underspend to March 2019 with the only variance currently being shown against the corporate budget.

Table 3 GF Capital Budget Variances

Asset Management Strategy Plan	Budget	Projected as at 30th June 2018	Over / (under) Spend	Comments
	£000s	£000s	£000s	
<b>Corporate</b>	14,744	14,524	(233)	Re-profiling of project expenditure for Alva Village & Small Town Initiative (£0.450m), Clackmannan Primary (£0.098m), Alva Campus £0.179m, Muckhart Primary £0.041m and other small differences (£0.095m)

Asset Management Strategy Plan	Budget	Projected as at 30th June 2018	Over / (under) Spend	Comments
	£000s	£000s	£000s	
Property	31	31	0	Projected to be on budget
Roads	3,223	3,223	-	Projected to be on budget
Land	48	48	0	Projected to be on budget
Fleet	1020	1020	0	Projected to be on budget
IT	825	825	0	Projected to be on budget
Gross Capital Expenditure	19,891	19,671	(233)	1.1% underspend
Income	(8,706)	(8706)	0	
Net Capital Programme	11,186	10,966	(233)	2.1% underspend

- 6.2 The HRA capital budget is currently forecasting a £0.020m underspend against budget to March 2019. As the year progressing variances will appear against the budget lines but as at quarter 1 everything is forecast as on budget.

Table 4 HRA capital outturn to March 2019

HRA Capital	Over/ (underspend) £000s
Primary Building Elements	0
Secondary Building Elements	0
Energy Efficiency	0
Modern Facilities & Services	0
Healthy Safe & Secure	0
Particular Needs Housing	0
New Build Housing	0
Other Costs	0
Sale of Council Property	(20)
HRA Capital Total Underspend	(20)

- 6.3 Capital receipts expected to be received up to 31<sup>st</sup> March 2019 are £1.700m. The capital receipts balance at the 31<sup>st</sup> March 2018 was £3.058m. So far the Council has received receipts of £0.682m, and are projecting to receive further receipts of £1.018m in the year. Additional properties are currently being prepared for sale and will be marketed from which further receipts are expected during the 2018/19 financial year.

## 7.0 2018/19 Savings Progress

- 7.1 The 2018/19 budget incorporated approved savings of £7.376m. At the end of June the following had been achieved:

Table 5 Forecast savings achievement

<b>Quarter 1</b>	Achieved	1,507,613	20.4%
	Likely	3,345,684	45.4%
	Amber	1,876,632	25.4%
	Red	645,741	8.8%
<b>Total</b>		<b>7,375,669</b>	

- 7.2 The above indicates that 65.8% of savings have or are likely to be achieved with a further 34.2% at risk. Over the last 5 years the average saving achieved has been 77%. The trend over the last 5 years shows savings achievement has fallen in the last 2 years as savings have become more difficult to identify and require policy changes for savings to be achieved. Although savings delivery has fallen, in year spending restraint has ensured the council has not exceeded budgeted spend, and maintained its reserves policy.

- 7.3 The table below shows the achievement by the new divisions:

Table 6 savings by division:

	Achieved		Likely		Amber		Red		Total
<b>People</b>	717,590	19%	1,412,949	37%	1,643,542	44%	0	0%	3,774,081
<b>Place</b>	546,523	22%	1,425,585	56%	179,090	7%	372,741	15%	2,523,939
<b>Performance</b>	243,500	23%	507,150	47%	54,000	5%	273,000	25%	1,077,65
	<b>1,507,613</b>		<b>3,345,684</b>		<b>1,876,632</b>		<b>645,741</b>		<b>7,375,670</b>

- 7.4 The accountancy team are working with budget holders to identify compensatory savings and these will be added to the schedules and updates, as they are agreed. The detail of these can be found within the individual committee reports for People, Place and Partnerships & performance on the Councils website.

## 8.0 Conclusions

- 8.1 General Fund revenue spend is forecasting an overspend of £1.572m to March 2019 (H&SCP £1.485m and Council £0.087m).
- 8.2 The Housing Revenue Account is anticipating an increase in its surplus of £0.439m to March 2019.
- 8.3 The capital programme in both HRA and GF are currently showing slippage and are expected to be marginally underspent by the year end.
- 8.4 Only 65.8% of savings are being forecast as achieved or achievable

## 9.0 Sustainability Implications

9.1 None

## 10.0 Resource Implications

### 10.1 Financial Details

10.2 The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes ☒

10.3 Finance have been consulted and have agreed the financial implications as set out in the report. Yes ☒

### 10.4 Staffing

10.5 None

## 11.0 Exempt Reports

11.1 Is this report exempt? Yes ☐ (please detail the reasons for exemption below) No ☒

## 12.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box ☒)

Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all	<input type="checkbox"/>
Our families; children and young people will have the best possible start in life	<input type="checkbox"/>
Women and girls will be confident and aspirational, and achieve their full potential	<input type="checkbox"/>
Our communities will be resilient and empowered so that they can thrive and flourish	<input type="checkbox"/>

(2) **Council Policies** (Please detail)

## 13.0 Equalities Impact

13.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?  
Yes ☐ No ☒

## 14.0 Legality

- 14.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes ☒

## 15.0 Appendices

- 15.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

None

## 16.0 Background Papers

- 16.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes ☐ (please list the documents below) No ☒

### Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Paula Tovey	Chief Accountant (interim)	2078

### Approved by

NAME	DESIGNATION	SIGNATURE
Paula Tovey	Chief Accountant (Interim)	
Stuart Crickmar	Director of Partnership & Performance	



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**Report to: Audit Committee**

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**Date of Meeting: 11 October 2018**

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**Subject: Internal Audit Progress Report 2018/19**

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**Report by: Internal Audit Manager**

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**1.0 Purpose**

- 1.1. This report provides an update on progress with completing the 2018/19 Internal Audit Plan.

**2.0 Recommendations**

- 2.1. The Committee is asked to note progress being made with completing the 2018/19 Internal Audit Plan.

**3.0 Progress With Completing 2018/19 Internal Audit Plan**

- 3.1. The Plan was agreed by Audit and Finance Committee on 15 March 2018. It set out eighteen assignments to be completed by the team during the year.
- 3.2. Fourteen of the eighteen planned assignments have been started, or have been completed to draft or final report stage. A summary of progress is set out at Appendix 1. The scope and Executive Summary of each finalised report is at Appendix 2.
- 3.3. Definitions of the assurance categories used by Internal Audit are set out at Appendix 3.

**4.0 Conclusions**

- 4.1. The team are making good progress with 2018/19 Internal Audit work. This will contribute to a balanced and evidenced based year end opinion on arrangements for risk management, governance, and control.

**5.0 Sustainability Implications**

- 5.1. None noted

## 6.0 Resource Implications

### 6.1. Financial Details

6.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes

6.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes

### 6.4. Staffing

## 7.0 Exempt Reports

7.1. Is this report exempt? No

## 8.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box ☒)

Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all ☐  
Our families; children and young people will have the best possible start in life ☐  
Women and girls will be confident and aspirational, and achieve their full potential ☐  
Our communities will be resilient and empowered so that they can thrive and flourish ☐

(2) **Council Policies** (Please detail)

## 9.0 Equalities Impact

9.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?  
Yes ☐ No ☐

## 10.0 Legality

10.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes ☐

## 11.0 Appendices

11.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

- **Appendix 1:** Internal Audit Plan: Progress at 02 October 2018.

- **Appendix 2:** Summary of Findings from Assignments Complete to Final Report.
- **Appendix 3:** Definition of Internal Audit Assurance Categories.

## 12.0 Background Papers

12.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes ☐ (please list the documents below) No ☐

### Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Gordon O'Connor	Internal Audit Manager	07872 048 030

### Approved by

NAME	DESIGNATION	SIGNATURE
Stuart Crickmar	Strategic Director Partnership and Performance	
Nikki Bridle	Chief Executive	



## Internal Audit Plan 2018/19 – Progress at 02 October 2018

Planned Assignments (as per 2018/19 Internal Audit Plan)			
	Service	Assignment	Status
1.	All Services	Continuous Auditing	In Progress – Ongoing <sup>1</sup>
2.	All Services	National Fraud Initiative	In Progress – Ongoing <sup>1</sup>
3.	Place	Climate Change Act Public Body Duties Audit	In Progress
4.	People	Cash / Income Collection: • Scottish Welfare Fund; • Central Imprest Fund; • Kilncraigs Main Reception.	Final Reports Issued
5.	All Services	Follow Up of Internal Audit Recommendations	In Progress - Ongoing
6.	All Services	Ad hoc / Consultancy Work	In Progress - Ongoing
7.	Clackmannanshire and Stirling IJB	Experience of Service Users / Patients / Unpaid Carers	Not Started
8.	Central Scotland Valuation Joint Board	• Business Continuity Planning • Freedom of Information Request Arrangements	In Progress
9.	People	Public Protection (Children) - Governance	In Progress
10.	All Services	Building Security (Operational Council Buildings)	Draft Report Issued
11.	Partnerships and Performance	PREVENT (Counter Terrorism) and Serious Organised Crime Readiness	Final Report Issued – Substantial Assurance
12.	Partnerships and Performance	Supplier Set Up and Supplier Bank Account Changes	Final Report Issued – Limited Assurance
13.	Partnerships and Performance	External Quality Assessment of Internal Audit Function	Reliance on Falkirk Council Internal Audit EQA Outcome – Broadly Compliant with Public Sector Internal Audit Standards
14.	Place	Health and Safety – Statutory Electrical Inspections	In Progress
15.	Partnerships and Performance	GDPR Readiness	Final Report Issued – Limited / Substantial Assurance

<sup>1</sup> Findings to date included at Appendix 2.

Planned Assignments (as per 2018/19 Internal Audit Plan)			
	Service	Assignment	Status
16.	All Services	Sickness Absence	Not Started
17.	Place / Partnerships and Performance	Procurement – Waste Services	Not Started
18.	Place	LED Streetlighting Project – Benefits Realisation	Not Started

## Summary Of Key Findings Arising From Assignments Complete to Final Report

Assignment	Service	Assurance
Continuous Auditing	All Services	N/A – Ongoing Assurance
Scope	Final Report Executive Summary	
<p>This involves analysing Creditors payment file data (payments to suppliers of goods and services) to identify any potential duplicate payments.</p> <p>We use audit interrogation software to identify any matches on invoice date, invoice amount, and invoice number. We then check our initial results on TechOne to identify any cancelled payments; payments made to different suppliers; and duplicate payments that have already been identified and either cancelled or monies recovered.</p>	<p>For the period October 2017 to March 2018 we identified <b>24</b> potential duplicate payments, with a value <b>c£21k</b>. Details of these have been passed to the Chief Accountant for appropriate recovery action.</p>	

Assignment	Service	Assurance
National Fraud Initiative	All Services	Not Applicable
Scope	Final Report Executive Summary	
<p>The purpose of the NFI exercise is to review and investigate the outcomes of data matching undertaken by Audit Scotland on behalf of the Cabinet Office. Matches cover areas such as Payroll, Pensions, Housing and Council Tax Benefit, Council Tax Single Person Discount, and Creditors.</p> <p>The Internal Audit Manager acts as Key Contact for NFI, with responsibility for co-ordinating the process of ensuring that relevant matches are followed-up.</p>	<p>The 2016/17 exercise is drawing to a close. 472 'Recommended' matches were released to Clackmannanshire Council for review and investigation (1,352 matches in total). Services have investigated and closed 962 matches. No instances of fraud, and a total of 31 errors (with a total value of £37,690), were identified, with recovery underway.</p> <p>In addition to the core NFI exercise, Clackmannanshire Council participates in a related exercise designed to detect wrongly claimed Council Tax Single Person Discount. Since 01 April 2017, as a result of participation in this exercise (which matches Council Tax and Electoral Roll data), frauds or errors totalling c£11k have been detected, with recovery action taken or underway.</p> <p>The 2018/19 NFI exercise is about to commence. The required data has been gathered from Services, and uploaded via the secure on-line NFI application. The resultant data matches will be available from 31 January 2019.</p>	

Assignment	Service	Assurance
Cash and Income Collection	People	N/A – Spot Check
Scope	Final Report Executive Summary	
<p>We undertook a spot check of the cash handling arrangements for:</p> <ul style="list-style-type: none"> <li>the Scottish Welfare Fund;</li> <li>Central Imprest Fund; and</li> <li>Kilncraigs Main Reception.</li> </ul>	<p><u>Scottish Welfare Fund</u> Cash held reconciled to the cash / award register and the safe's insurance limit was not breached. There was a need to ensure that:</p> <ul style="list-style-type: none"> <li>the written procedures cover all cash handling processes;</li> <li>the current safe is replaced with a more secure safe;</li> <li>the cash balances and transactions are subject to regular management scrutiny, and that a record of all management checks is retained.</li> </ul> <p><u>Central Imprest Fund</u> Cash held reconciled to the claim log, replenishments of the Fund were being appropriately authorised, and the safe's insurance limit was not breached. There was, however, a need to ensure that:</p> <ul style="list-style-type: none"> <li>a record is retained of the officer issuing funds;</li> <li>a safe log is introduced;</li> <li>cash balances and transactions are subject to regular management scrutiny, and that a record of all management checks is retained.</li> </ul> <p><u>Kilncraigs Main Reception</u> Cash floats and income collected at the time of the visit were complete and reconciled. The arrangements for the handover of income to the external security firm were also operating effectively. There was a need to ensure that:</p> <ul style="list-style-type: none"> <li>the written procedures cover all cash handling processes;</li> <li>cash drawers are locked when not in use; and</li> <li>the safe is locked during office hours and a register of contents introduced.</li> </ul>	

Assignment	Service	Assurance
PREVENT (Counter Terrorism) and Serious Organised Crime Readiness	Partnerships and Performance	Substantial
Scope	Final Report Executive Summary	
<p>The scope of this review was to evaluate and report on arrangements for implementing and embedding the duties and principles set out in:</p> <ul style="list-style-type: none"> <li>PREVENT Duty Guidance for Scotland; and</li> <li>Scotland's Serious Organised Crime Strategy.</li> </ul> <p>We reviewed:</p> <ul style="list-style-type: none"> <li>The clarity of governance and accountability arrangements and roles and responsibilities (including the role of the Risk and Integrity Forum);</li> <li>Progress with deployment of the corporate CONTEST / PREVENT and Serious Organised Crime delivery plans.</li> </ul>	<p>We were able to provide 'substantial assurance' in relation to the arrangements for CONTEST / PREVENT, and Serious Organised Crime readiness.</p> <p>In relation to CONTEST / PREVENT we found that roles and responsibilities had been formalised and were well understood. The Council has completed the national PREVENT self assessment, and an action plan is in place. There have been regular updates on progress provided to the Risk and Integrity Forum and the Corporate Management Team.</p> <p>Similar arrangements were in place for Serious Organised Crime. A high level assessment has been undertaken and an action plan is in place. We found that there was scope to improve the action plan by ensuring that timescales for implementation were recorded. There was also scope to ensure that actions are being progressed quicker.</p> <p>Progress in both areas is reported to the Corporate Risk and Integrity Forum. There are specific risks on failure to prevent extremism and / or radicalisation; and failure to address serious organised crime recorded on the corporate risk log.</p>	

Assignment	Service	Assurance
<b>Supplier Set Up and Supplier Bank Account Changes</b>	Partnerships and Performance	<b>Limited Assurance</b>
Scope	Final Report Executive Summary	
<p>We reviewed:</p> <ul style="list-style-type: none"> <li>Controls over the input, checking, and authorisation of supplier set up, and changes to supplier details, including roles and responsibilities, the adequacy of segregation of duties, and associated guidance; and</li> <li>Controls specifically relating to supplier bank account changes, to ensure these are genuine, appropriately authorised, and accurately processed.</li> </ul>	<p>We were able to provide 'limited assurance' in relation to the adequacy of the controls in place for supplier set up and bank account changes.</p> <p>We reviewed sixty transactions (twenty new suppliers, twenty supplier changes, and twenty supplier bank account changes) selected from all TechOne supplier changes between 1 April 2017 and 3 May 2018. Each element of our sample included nine suppliers with an annual expenditure in excess of £400k. We were content that the supplier records on the corporate finance system were being accurately updated.</p> <p>We did find some weaknesses in the controls over the processing, checking, and authorising of new supplier details and changes.</p> <p>In particular, there was no requirement for authorisation when creating new supplier details or amending bank account details.</p> <p>There were no post processing management checks to ensure that bank account changes or new suppliers' data are valid and have been processed accurately. We have recommended that management checks are introduced, to reduce the risk of financial loss should supplier details be deliberately or inadvertently amended.</p> <p>Our analysis of the supplier database also highlighted a number of duplicate records, and we have provided details of these to the Chief Accountant for review and action as appropriate. In addition, we have suggested that the existing functionality within the corporate finance system should be fully utilised to ensure that supporting documentation, relating to new suppliers or changes, can be attached to the supplier record.</p> <p>Since the audit the Service has agreed to make a number of changes to the process of setting up new suppliers and amending existing details. Once in place the new process will mean that no new supplier will be added unless the necessary supporting documentation has been completed and authorised. All trade creditors will require approval by Procurement. New user guidance is currently being drafted and Internal Audit has provided comments on these.</p>	

Assignment	Service	Assurance
<b>External Quality Assessment (EQA) of Internal Audit Function</b>	Partnerships and Performance	<b>Reliance on Falkirk Council EQA outcome – Broadly Compliant with Public Sector Internal Audit Standards</b>
Scope	Final Report Executive Summary	
<p>Internal Audit seeks to operate in compliance with the Public Sector Internal Audit Standards (PSIAS). One of the requirements of PSIAS is that the Internal Audit Manager develops a Quality Assurance and Improvement Programme (QAIP) to enable evaluation of the section's conformance with PSIAS.</p> <p>The QAIP must include annual self assessments and five yearly independent external assessment.</p>	<p>Internal Audit services are provided on the basis of a Joint Working Agreement with Falkirk Council. The Internal Audit Manager undertook a self assessment of the Falkirk Council Internal Audit team's compliance against PSIAS in early 2018. This concluded that the section was broadly compliant with PSIAS. To fulfil the requirement for five yearly external assessment, the Scottish Prison Service's (SPS) Head of Audit and Assurance undertook an independent validation of this self assessment.</p> <p>The SPS report concluded:</p> <p>"Our review of the Falkirk Council (FC) Internal Audit (IA) PSIAS self-assessment concluded, in line with the self-assessment itself (undertaken by FC's Internal Audit Manager), that FCIA is broadly</p>	

	<p>compliant with PSIAS.</p> <p>The quality of the FCIA self-assessment was sound, and was predicated on the Scottish Local Authorities Chief Internal Auditor Group (SLACIAG) checklist devised specifically for PSIAS compliance self-assessment. Sufficient evidence was collated and included on the self-assessment file to corroborate and validate questionnaire responses.</p> <p>Matters arising from the FCIA self-assessment have been incorporated by them in an action plan, the completion of which will result in FCIA being closer to full compliance with PSIAS. The nature of the actions relate more to continuously improving FCIA practice and approach than dealing with material non-compliance with PSIAS."</p> <p>The approach taken by the Internal Audit team at Clackmannanshire Council mirrors that at Falkirk Council. On that basis, reliance can be placed on the outcomes of the independent review undertaken by SPS.</p> <p>Nevertheless, arrangements will be made to ensure that a specific, independent, review is undertaken of the team responsible for delivering Internal Audit services to Clackmannanshire Council.</p>
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Assignment	Service	Assurance
GDPR Readiness	Partnerships and Performance	Limited / Substantial
Scope	Final Report Executive Summary	
<p>We reviewed:</p> <ul style="list-style-type: none"> <li>the clarity of accountability arrangements and roles and responsibilities. To include the role of the Information Management Working Group;</li> <li>overall project planning and management arrangements. To include the reporting of progress with the GDPR action plan; and</li> <li>communications and awareness raising. To include the availability of Council wide guidance and training.</li> </ul>	<p>We were able to provide 'limited assurance' in relation to the clarity of accountability arrangements, roles and responsibilities, and project planning and management arrangements, and 'substantial assurance' in relation to communication and awareness raising.</p> <p>In relation to accountability arrangements and roles and responsibilities, a Data Protection Officer has been appointed. The Council's Acting Senior Governance Officer is responsible for day to day progress.</p> <p>From reviewing the minutes of meetings we reached the conclusion that the Council's Records Management and Information Governance Working Group has not been adequately overseeing the Council's preparation for GDPR. There was, for example, no regular formal report on progress provided to the Group in the lead up to 25 May 2018. In addition, there have been no formal progress reports from the Group to the Risk and Integrity Forum, Corporate Management Team, or Elected Members.</p> <p>We also found there was no record of the Group's Terms of Reference and performance being reviewed annually. There is a need to ensure that the Group's Terms of Reference is updated to specifically state its role in relation to Data Protection and Information Security.</p> <p>We were content that GDPR related procedures and guidance had been developed. The Data Protection Policy was updated in May 2018 to include GDPR requirements. The updated Policy had not, however, been agreed by the Records Management and Information Governance Working Group or by Elected Members.</p> <p>In relation to project planning and management arrangements, a GDPR project plan is in place. We have recommended this should be updated to include target implementation dates. Project plan progress should also start to be formally reported to each meeting of the Records Management and Information Governance Working Group.</p> <p>There have been a range of actions taken to raise awareness of GDPR within the Council. Guidance has been prepared, and e-learning training made available to staff. Elected members have still to receive training, although this is due to take place in September 2018.</p>	

	<p>In relation to the e-learning training, this is mandatory for all staff. It is evident that the majority of staff have yet to complete it. We understand that, to address this, HR will provide the Data Protection Officer with a training completion report which will highlight those business areas where action is needed to improve uptake.</p>
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### Definition of Internal Audit Assurance Categories

Level of Assurance	Definition
<b>Substantial assurance</b>	Largely satisfactory risk, control, and governance systems are in place. There is, however, some scope for improvement as current arrangements could undermine the achievement of objectives or leave them vulnerable to error or abuse.
<b>Limited assurance</b>	Risk, control, and governance systems have some satisfactory aspects. There are, however, some significant weaknesses likely to undermine the achievement of objectives and leave them vulnerable to an unacceptable risk of error or abuse.
<b>No assurance</b>	The systems for risk, control, and governance are ineffectively designed and operated. Objectives are not being achieved and the risk of serious error or abuse is unacceptable. Significant improvements are required.

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**Report to Audit Committee**

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**Date of Meeting: 11 October 2018**

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**Subject: Audit Committee Forward Plan 2018/19**

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**Report by: Strategic Director, Partnership & Performance**

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**1.0 Purpose**

- 1.1. The purpose of this report is to present a forward plan for Audit Committee to June 2018.

**2.0 Recommendations**

- 2.1. It is recommended that Committee endorse the forward plan as set out at Appendix 1, subject to it being approved by Council.

**3.0 Considerations**

- 3.1. This report outlines a schedule of reports (Appendix 1) for Audit Committee up to June 2018. The Forward Plan reflects the remit of Audit Committee as approved by Council in August 2018.
- 3.2. Whilst the Plan covers the Committee's core remit, it should be noted that it may vary during the course of the year to accommodate unanticipated developments.
- 3.3. There are no financial implications arising from this report.

**4.0 Sustainability Implications**

- 4.1. There are no sustainability implications arising from this report.

**5.0 Resource Implications**

**5.1. Financial Details**

- 5.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate.

Yes

5.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes

5.4. *Staffing – there are no staff implications arising from this report.*

## 6.0 Exempt Reports

6.1. Is this report exempt? No

## 7.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box ☒)

Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all	<input type="checkbox"/>
Our families; children and young people will have the best possible start in life	<input type="checkbox"/>
Women and girls will be confident and aspirational, and achieve their full potential	<input type="checkbox"/>
Our communities will be resilient and empowered so that they can thrive and flourish	<input type="checkbox"/>

(2) **Council Policies** (Please detail)

## 8.0 Equalities Impact

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?  
An EQIA is not applicable in this context.

## 9.0 Legality

9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

## 10.0 Appendices

10.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix 1 – Audit Committee Forward Plan 2018/19

## 11.0 Background Papers

11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at

which the report is considered)

Yes ☐ (please list the documents below)

- **Council Decision Making Framework – Update, Report to Council 23 August 2018**

**Author(s)**

NAME	DESIGNATION	TEL NO / EXTENSION
Stuart Crickmar	Strategic Director	2127

**Approved by**

NAME	DESIGNATION	SIGNATURE
Stuart Crickmar	Strategic Director	
Nikki Bridle	Chief Executive	



# Appendix 1 - Audit Committee Forward Plan 2018/2019

Meeting	Date	Title of Report	Service Area
<b>OCTOBER 2018</b>			
AUDIT	11 OCTOBER	Internal Audit Progress Report	Internal Audit
		Forward Plan	-
		Finance update report – Jun 18	Finance
		Draft External Audit Plan	External Audit
		External Auditors Planning Report 2018/19	External Audit
		Annual Complaints Report 2017/18	Customer Services
<b>DECEMBER 2018</b>			
AUDIT	6 DECEMBER	Finance Update Report – Aug 18	Finance
		Finance	Finance
		Internal Audit Progress Report	Internal Audit
		Corporate Risk and External Audit Actions 18/19 half year	Strategy & Performance
		Procurement Governance	Finance
		Procurement Strategy	Finance
<b>FEBRUARY 2019</b>			
AUDIT	7 FEBRUARY	Annual Treasury Strategy Update Report	Finance
		Finance Update report – Oct 18	Finance
		External Auditors Interim Report	External Audit
		Internal Audit Progress Report	Internal Audit
		Local Government Benchmarking Framework 17/18 DRAFT	Strategy & Performance
<b>APRIL 2019</b>			
AUDIT	25 APRIL	Financial Regulations	Finance
		Procurement Standing Orders (Exceptions)	Finance
		Finance Update report – Dec 18	Finance
		Internal Audit Plan 2019/10	Internal Audit
		Annual Treasury Report 2018/19	
<b>JUNE 2019</b>			
AUDIT	20 JUNE	Finance Update report - March 2019 draft outturn	Finance
		Internal Audit Annual Assurance Report 2018/19	Internal Audit
		Corporate Risk and External Audit Actions 18/19 year end	Strategy & Performance
		Local Government Benchmarking Framework 17/18 Final	Strategy & Performance



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**Report to Audit Committee**

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**Date of Meeting: 11 October 2018**

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**Subject: Annual Complaints Report 2017/18**

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**Report by: Customer Services Manager**

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**1.0 Purpose**

The purpose of this report is to advise Committee of the volume and nature of customer complaints recorded in 2017/18, key performance information related to the handling of complaints and areas for further improvement.

**2.0 Recommendations**

2.1. It is recommended that Committee:

- a) note, comment on and challenge the volume and nature of complaints recorded in financial year 2017/18, including comparisons with previous years.

**3.0 Background**

- 3.1. An improved Complaints Handling Procedure (CHP) was introduced by the Scottish Public Services Ombudsman (SPSO) in September 2012 to help simplify, standardise and improve complaints handling across Scottish local government.
- 3.2. A key driver for the updated approach was to reduce the significant resource and cost in dealing with complaints. The model CHP aims to resolve more complaints at source, learn more from customer feedback and use feedback to improve service delivery.
- 3.3. Council services are required to demonstrate they analyse complaints data to identify trends, patterns and opportunities for service improvement. Additionally, councils are expected to publish some key statistics externally. Quarterly reports are published on ClacksWeb.

**4.0 Progress to date**

- 4.1. A total of 183 complaints were logged in the complaints database in 2017/18 (compared to 185 in 2016/17).

- 4.2. These are broken down further in Appendix 1 by service area, number dealt with at stage 1 and stage 2, percentage resolved within target timescale and number upheld/not upheld/partially upheld.
- 4.3. Key points of note from this year's performance data are:
- 157 out of 183 (86%) were resolved at Stage 1 (81% in 2016/17)
  - 76% of Stage 1 complaints were resolved within the target time of 5 days (79% in 2016/17).
  - 26 complaints were passed to Stage 2 for investigation; 23 out of the 26 (88%) were responded to within the target time of 20 days (81% in 2016/17).
  - 80 out of 183 complaints (44%) were either upheld or partially upheld (71% in 2016/17).
  - The main reason for complaints was about aspects of Service Provision (47%), then Employee Issue/Attitude (27%). (This was the same in 2016/17 with Service Provision (48%) then Employee Issue/Attitude (18%))
  - There were a total of 51 positive comments formally recorded in year (60 in 2016/17).
- 4.4. Customers unhappy with the Council's final response to their complaint can raise the matter with the SPSO and request an investigation. There were a total of six complaints raised with SPSO in 2017/18 (compared to 14 in 2016/17). Two complaints were moved into the investigation stage; both were not upheld (relating to special education needs and housing improvements).

## **5.0 Areas for development**

- 5.1. Improvements continue to be made on an ongoing basis in the following areas:
- Services need to continually review their internal systems to ensure they meet the service standard of responding to Stage 1 complaints within 5 days. If a complaint cannot be resolved within 5 days, then the customer should be advised immediately of the expected timescale.
  - There is an ongoing need for services to record what action has been taken to correct things that have gone wrong and to communicate these improvements via ClacksWeb.
  - There is an ongoing need for services to routinely gather customer feedback on how well their complaint was handled.
  - Given the large number of customer interactions processed on a daily basis, the total number of complaints formally recorded is still very small in comparison. (183 complaints out of approximately 500,000 contacts per year equates to 0.04%.)

## 6.0 Conclusions

- 6.1. The Council's performance in recording and responding to complaints is being routinely monitored and reported internally and externally using a range of performance indicators.

## 7.0 Sustainability Implications

- 7.1. There are no sustainability implications arising directly from this report.

## 8.0 Resource Implications

- 8.1. There are no financial implications arising directly from this report.

## 9.0 Exempt Reports

- 9.1. Is this report exempt? No

## 10.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

- (1) **Our Priorities** (Please double click on the check box ☒)

Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all	<input type="checkbox"/>
Our families; children and young people will have the best possible start in life	<input type="checkbox"/>
Women and girls will be confident and aspirational, and achieve their full potential	<input type="checkbox"/>
Our communities will be resilient and empowered so that they can thrive and flourish	<input type="checkbox"/>

- (2) **Council Policies** (Please detail)

## 11.0 Equalities Impact

- 11.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?  
Yes ☒ No ☐

## 12.0 Legality

- 12.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes ☒

## 13.0 Appendices

- 13.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix 1 - Annual Complaints Review 2017/18

**14.0 Background Papers**

- 14.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

No

**Author(s)**

NAME	DESIGNATION	TEL NO / EXTENSION
Brian Forbes	Customer Services Manager	2187

**Approved by**

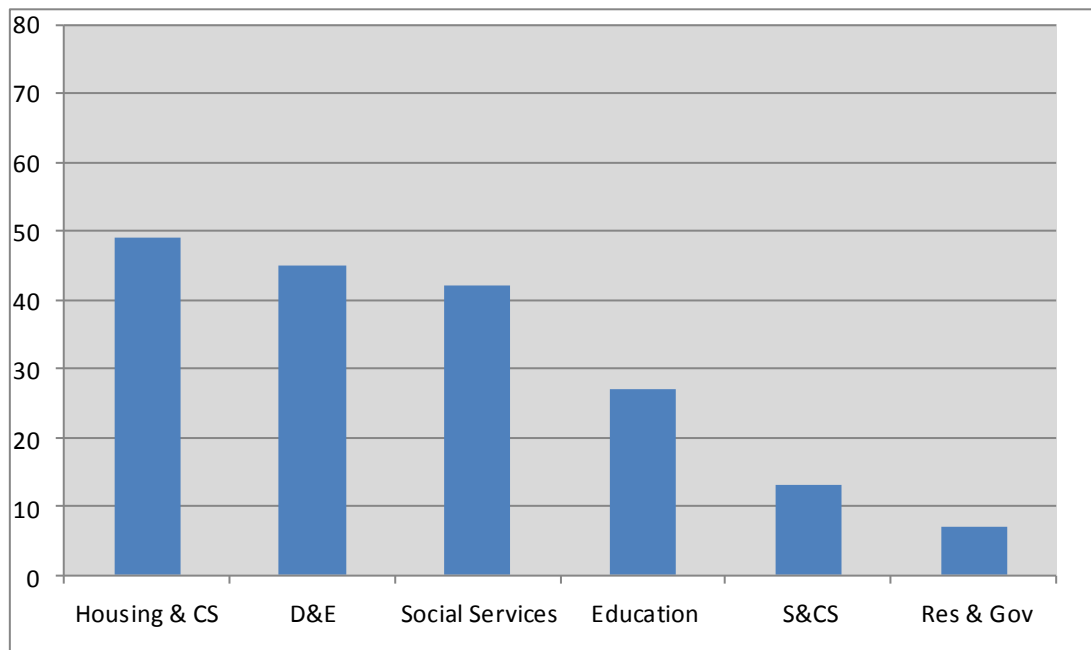
NAME	DESIGNATION	SIGNATURE
Stuart Crickmar	Strategic Director Partnership & Performance	
Nikki Bridle	Chief Executive	

## **APPENDIX 1 - ANNUAL COMPLAINTS REVIEW 2017/18**

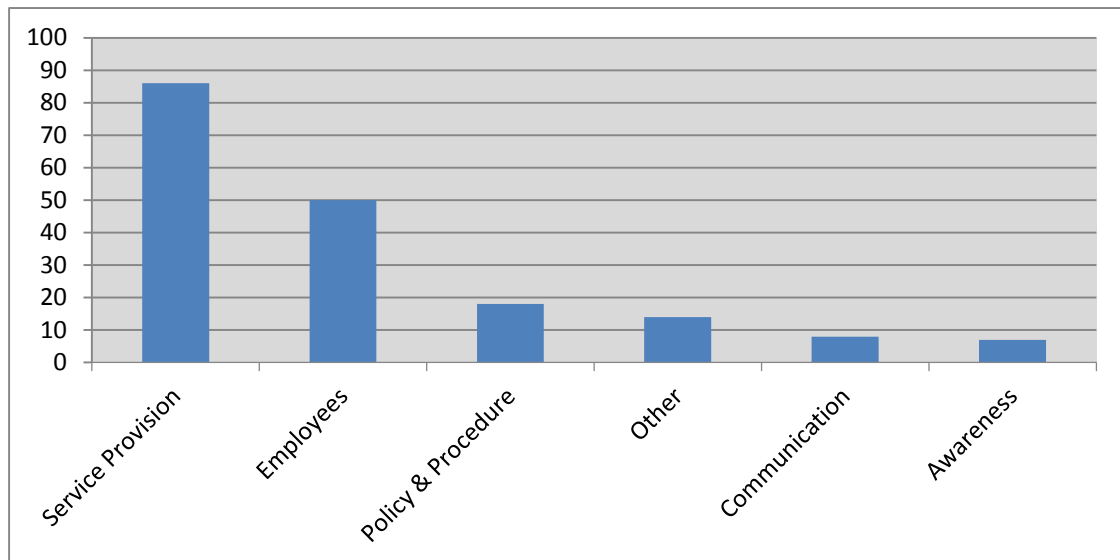
<b>2017/18</b>	<b>S&amp;CS</b>	<b>Res &amp; Gov</b>	<b>D&amp;E</b>	<b>Housing &amp;CS</b>	<b>Education</b>	<b>Social Services*</b>	<b>Council</b>
Total Number of Complaints Received	13	7	45	49	27	42	<b>183</b>
Total Stage 1 - closed	12	5	40	39	21	40	<b>157</b>
Stage 1 within timescale	12	4	26	39	11	28	<b>120</b>
Stage 1 % in timescale	100%	80%	65%	100%	52%	70%	<b>76%</b>
Total Stage 2 - closed	1	2	5	10	6	2	<b>26</b>
Stage 2 within timescale	1	1	5	10	4	2	<b>23</b>
Stage 2 % in timescale	100%	50%	100%	100%	67%	100%	<b>88%</b>
Total Number Upheld	2	1	13	12	3	8	<b>39</b>
Total Number Partially Upheld	9	2	12	4	3	11	<b>41</b>
Total Number Not Upheld	2	4	20	33	21	23	<b>103</b>

*\* Includes 1 for HSCI*

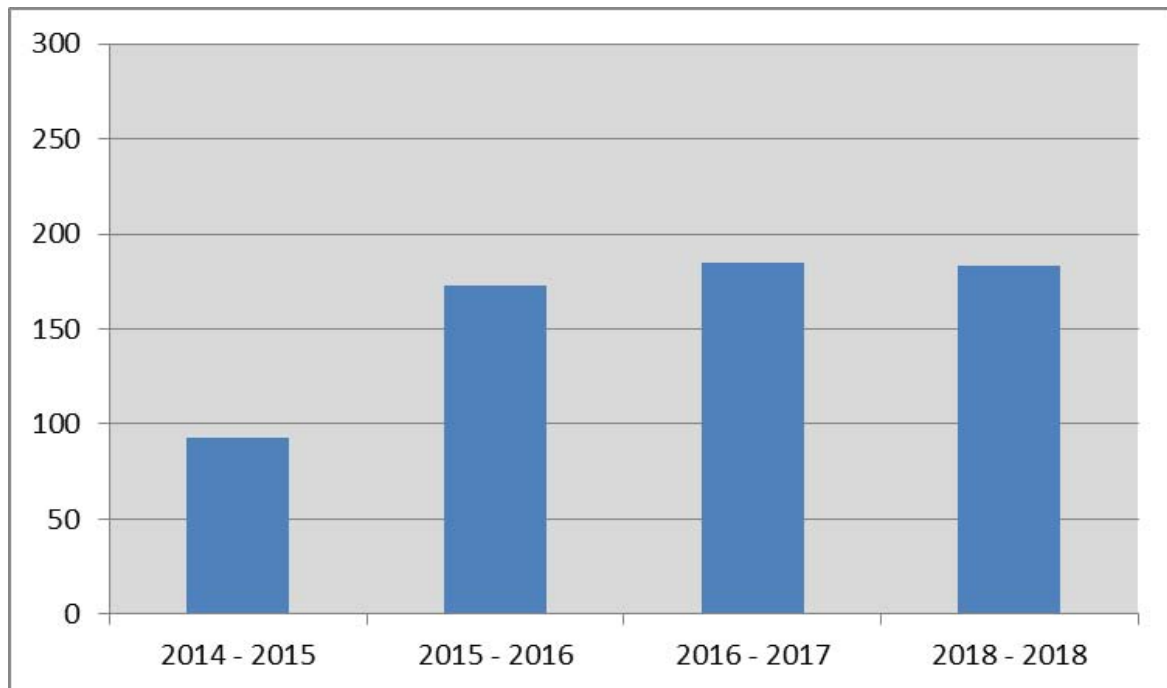
**Figure 1 - Total Number of Complaints Received 2017/18**



**Figure 2 – Category of complaints 2017/18**



**Total number of complaints over last 4 years**



**% Upheld/Partially Upheld in last 4 years**

