



Glasgow City Council

Annual report on the 2013/14 audit

Prepared for the members of Glasgow City
Council and the Controller of Audit

October 2014



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Key messages

Financial statements

- We have signed an unqualified auditor's report on the 2013/14 financial statements.

Financial position

- There is an overspend of £6.2m (0.46%) against service budgets.
- Usable reserves have decreased by £ 2.3m to £134.9m
- The General Fund balance has reduced by £10.7m to £32.8m, with the unallocated balance of £18.3m unchanged from last year.
- Financial management remains strong with a robust budget setting process in place.

Governance & accountability

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

Best Value, use of resources & performance

- The council has a well developed framework in place for monitoring and reporting performance against strategic priorities.
- For 2013/14 the council's annual performance report highlighted all strategic priorities as complete, or progressing as expected.

Outlook

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

Financial Statements

1. We have given an unqualified audit opinion that the financial statements of Glasgow City Council for 2013/14 give a true and fair view of the state of the affairs of the council and its group as at 31 March 2014 and of its income and expenditure for the year then ended.
2. The council recorded an overspend of £6.2million against service budgets in the year, representing 0.46% of net service expenditure. This was mainly due to pressures within Social Work Services and Education Services.
3. Financial management remains strong with close budget monitoring and regular reporting to members.

Financial position

4. The closing balance at year end on usable reserves was £134.9million representing a net decrease of £2.3million from 2012/13.
5. The net downward movement in the general fund balance for 2013/14 was £10.7million, reducing the general fund balance to £32.8million as at 31 March 2014. This balance is made up of earmarked commitments of £14.5million and an unallocated balance of £18.3million, or 1.3% of net cost of services. This is below the council's policy of holding minimum unallocated reserves of at least 2% of net service cost over the medium term.

6. The council's 2014/15 financial plan requires cost savings of £20.5million. The council aims to deliver these savings through its extensive service reform programme

Governance and accountability

7. In 2013/14, the council had sound governance arrangements which included a number of standing committees overseeing key aspects of governance. The council had an effective internal audit function and systems of internal control.
8. Satisfactory progress has been made in developing the governance arrangements for integration of health and social care, with the approval in early 2014 of the establishment of a "body corporate", and the subsequent formation of a shadow integration joint board to take forward the process.

Best Value, use of resources and performance

9. The council has a strong focus on performance management and has a sound framework for monitoring and reporting performance against the council's priorities
10. Development of corporate asset management plans has continued, with the intention being that asset and advisory boards will be established for each major asset class by March 2015.
11. The council has progressed a number of workforce management initiatives including development of a Corporate

Key Messages

HR Strategy 2013-17, adoption of an employee improvement framework and commitment to a universal staff survey in 2015.

12. Audit Scotland's report on Glasgow's community planning arrangements, published in April 2014, concluded that the Glasgow Community Planning Partnership had set a clear strategic direction, whilst the key area of improvement required was the development of a suitable performance management framework.

Outlook

13. Demands on services and resources continue to increase and these need to be managed alongside major reforms in the welfare system and health and social care. This underlines the need for strong governance, leadership and decision making based on good cost and performance information. Effective working with partners will be required to make the best use of available resources as well as innovation and vision to design and deliver the services needed to meet the future needs of citizens.

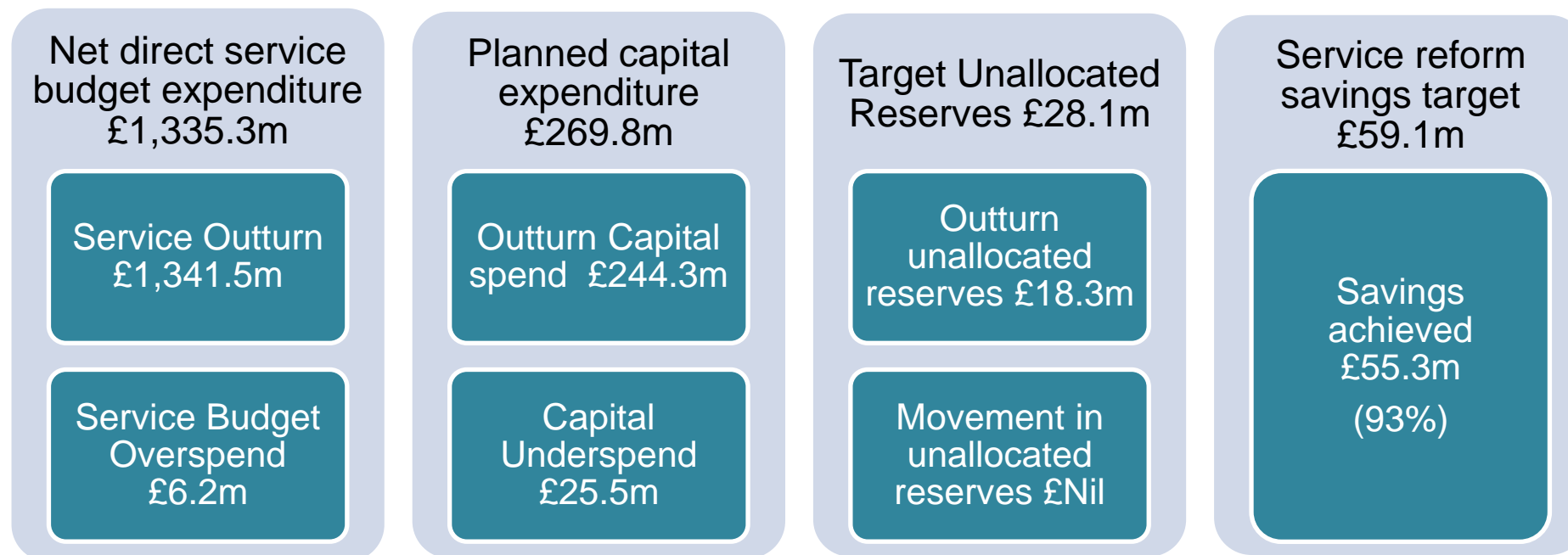
Introduction

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

Introduction

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

Financial statements



Audit opinion

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

26. The council has two Trading Operations, both of which made surpluses in the year 2013/14, and both of which have made surpluses over a rolling three year period.

Other information published with the financial statements

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

Legality

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

The audit of charities financial statements

29. The Charities Accounts (Scotland) Regulations 2006 (the 2006 Regulations) sets out the accounting and auditing rules for Scottish charities. These required, for the first time in 2013/14, a full audit of all registered charities accounts where a local authority or some members are the sole trustees. This change in audit requirements for charities did not impact on the council's arrangements for charity audits, since neither the council, nor any members, were sole trustees for any of the registered charities administered by the council.
30. Glasgow City Council did, however, have six funds which were subject to full charities financial statements audit for 2013/14,

under the relevant rules set by the Office of the Scottish Charities Regulator (OSCR). During the year, the council continued the process of rationalisation of its trust funds, reducing the number of funds requiring full financial statements audit from sixteen, as at 31 March 2013, to six as at 31 March 2014.

31. An unqualified audit opinion has been provided for two of the six charities at the time of writing. Based on information to date it is anticipated that the remaining four will also receive an unqualified audit opinion. This is expected by 30 November 2014.

Group accounts and going concern

32. Local authorities are required to prepare group accounts in addition to their own council's accounts where they have a material interest in other organisations.
33. Glasgow City Council has accounted for the financial results of nine subsidiaries, three associates, the Common Good Fund and sundry trusts in its group accounts for 2013/14. The overall effect of consolidating these balances on the group balance sheet is to reduce total reserves and net assets by £19.9 million.

Financial statements

34. The net assets of the group at 31 March 2014 totalled £1,325.6 million, compared to a restated net liability position of £920.8million in 2012/13. The positive movement in the closing net worth balance is mainly due to the transfer of Police and Fire functions to the new authorities from 1 April 2013 and the removal of the pension liabilities of Police and Fire from the group accounts.

Accounting issues arising

Presentational and monetary adjustments

35. A number of presentational and monetary adjustments were identified in the financial statements during the course of our audit. These were discussed with management who agreed to amend the unaudited financial statements, and make appropriate prior year adjustments. The current year effect of these adjustments was to decrease 2013/14 expenditure by £16.3 million and decrease net assets as at 31 March 2014 by £178.8 million. The more significant changes related to:

- Assets being carried in *Assets under construction* category which were in fact operational, so required to be depreciated or impaired
- Assets held on council balance sheet which had been transferred, or leased, to outside bodies, so should have been eliminated from council assets.

- Assets included within *Assets under construction* which had previously transferred to operational assets and been subject to revaluation, therefore had been counted twice within total assets.

Refer Action Plan Point 1

36. In addition, a small number of other unadjusted errors (totalling less than £0.075 million) were identified during the course of the audit, which were considered immaterial to the accounts as a whole.

Whole of government accounts

37. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. The council submitted the consolidation pack for audit by the deadline. This has been audited and the audited return submitted to the Scottish Government.

Report to those charged with governance

38. We presented our report to those charged with governance (ISA 260) to the Finance and Audit Scrutiny Committee on 24 September 2014. The primary purpose of that report is to communicate the significant findings arising from our audit prior to finalisation of the independent auditor's report. The main points are set out in the following paragraphs.

Financial statements

39. Assets under construction: Our testing of the value of Assets under construction and asset impairments in the 2013/14 financial statements highlighted material errors. These related mainly to assets classified as being assets under construction, but which should have been transferred to operational assets in 2013/14 or in prior years. The total value of this expenditure was £296.3million and related to East End Regeneration projects, the Commonwealth Games and schools. Adjustments have been made to the 2013/14 financial statements to present these assets correctly, and necessary prior year adjustments also made. Management has agreed to review capital accounting procedures and to undertake staff training, within finance and at service level, to ensure the correct classification of assets in the future.

Refer Action Plan Point 1

40. Common Good Fund: Long term assets of the fund include £1.8million relating to investment properties. Under the accounting policies, these properties should have been subject to an annual review of fair value to reflect market conditions. However, we established that no such review had been carried out for at least four years. The council intends to revalue the Common Good's investment properties as part of the wider review of Common Good policies planned for completion in 2014/15. Management has confirmed to us that they do not consider the 2013/14 book value to be materially misstated.

Refer Action Plan Point 2

41. Accounting for obligations relating to landfill sites: Under *IAS 37 Provisions, contingent liabilities and contingent assets*, local authorities should recognise obligations to undertake restoration and aftercare work on landfill sites from the commencement of depositing refuse at these sites. In 2012/13, the council disclosed an unquantified contingent liability for such costs relating to the Cathkin landfill facility. In accordance with recent Local Authority (Scotland) Accounts Advisory Committee (LASAAC) guidance on Asset Decommissioning Obligations, the council has accounted for a provision of £43.5 million in the 2013/14 accounts, and capitalised this amount in the financial statements. The landfill site is no longer operational and the council is required to complete restoration work by 30 September, 2015.

42. The guidance includes requirement for a prior year adjustment (PYA), where appropriate, which in Glasgow City Council's case would result in additional charge to the Comprehensive Income and Expenditure Account. However, due to the timing of guidance being issued, no such PYA has been reflected in the 2013/14 financial statements. We are satisfied that this is not material to the financial statements, and that the council will be reviewing this provision annually. We will monitor the progress of the necessary restoration works during 2014/15 to gain assurance on its completion by the September 2015 deadline.

Refer Action Plan Point 3

Financial statements

43. Contingent Liabilities: Obligations arising from past events, for which the outflow of resources or service potential cannot be reliably measured, require to be disclosed in the notes to the financial statements. The more significant of these considered during our audit are as follows:

- **Equal pay:** Equal pay claims have been lodged with the council in two main waves. The first wave was largely settled in 2006, and a provision of £0.6million remains in respect of approximately 550 claims. A second wave of 9,250 claims has been received following the introduction of a revised job evaluation scheme across the council. In December 2013, an Employment Tribunal decision found in favour of the council that the job evaluation methodologies were compliant with the 1970 Equal Pay Act. However, this decision has been appealed by claimants. In view of the Employment Tribunal decision of December 2013, the council does not believe there is a need to provide for the second wave of claims, nor that it would be in a position to quantify the potential value, so equal pay claims have been disclosed as an unquantified contingent liability.
- **Holiday pay entitlements:** Subsequent to the financial year end, it has been held in several employment tribunal claims that overtime should be taken into account when calculating holiday pay. These cases are under appeal, with judgement expected before the end of the calendar year. 747 such claims were submitted to the council in July

2014, against City Building as first respondent and Glasgow City Council as second respondent, dating back to periods prior to creation of City Building. The council has not made any specific disclosure of contingent liability in respect of holiday pay entitlement.

- **Kinship care payments:** The council has recently received communication from the Equality and Human Rights Commission referring to potential inequity between payments made under the council's kinship care and foster care schemes. The council has obtained Queen's Counsel opinion on this matter and is considering its response.
- 44.** Council officers believe there is significant uncertainty associated with the likelihood, and potential value, of any future financial settlement in respect of holiday pay entitlement or kinship care payments. After full discussion we have concluded that non disclosure of these matters as quantified contingent liabilities in the financial statements remains appropriate, and have received management assurances that all known contingent liabilities have been fully and properly provided for.

Refer Action Plan Point 4

Outlook

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

Financial statements

- IFRS 10 Consolidated financial statements
 - IFRS 11 Joint arrangements
 - IFRS 12 Disclosures of interests in other entities
 - IAS 28 Investments in associates and joint ventures.
46. These standards affect the group financial statements and include a change to the definition of control. This is likely to require a reassessment of the group boundary and potentially further consolidations and disclosures.
47. The revised Local Authority Accounts (Scotland) Regulations 2014 apply for financial years 2014/15 onwards. The regulations set out in more detail what is required in respect of financial management and internal control, and in respect of the annual accounts themselves. One of the changes is the requirement for the unaudited accounts to be considered by the local authority, or committee of the local authority whose remit includes audit and governance. This can take place following submission to the auditor and up to 31 August if necessary. In addition, the audited accounts must be considered and approved for signature by the local authority, or committee of the local authority whose remit includes audit and governance, by 30 September with publication on the council's website by 31 October.
48. Highways assets are currently carried within infrastructure assets in the balance sheet at depreciated historic cost. The 2016/17 Code will require highways to be measured for the first

time on a depreciated replacement cost basis. This represents a change in accounting policy from 1 April 2016 which will require a revised opening balance sheet as at 1 April 2015 and comparative information in respect of 2015/16. This is a major change in the valuation basis for highways and will require the availability of complete and accurate management information on highway assets. The council should ensure it is planning ahead to allow full compliance with the Code.

Financial position

49. The council reported a accounting deficit of £63.9million on the provision of services in 2013/14. Adjusting this balance to remove the accounting entries required by the Code, the council decreased its general fund balance by £10.7million, which was in line with budgetary assumptions.

Budgetary control

50. The council overspent against its service budgets by £6.2million (0.46% of the 2013/14 revenue budget). Key variations in performance against budget included :
- an overspend of £5.4million within Social Work Services due to delays in implementing the personalisation programme for adults and homecare costs for the elderly
 - an overspend of £2.3million within Education Services due to increased teacher costs from higher than expected school rolls.
51. A report to the council's executive committee, in April 2014, has highlighted a number of issues in relation to the overspend on homecare costs noted above. These included;
- Growth in demand
 - A culture of "over ordering" confirmed by audit evidence

- Reductions in staffing levels for carrying out reviews of home care packages.
52. The 2013/14 budget was approved by the council on 7 February 2013. For budget monitoring purposes, budgets are updated each period to reflect new funding, operational changes and additional expenditure approvals. Pressures on service budgets are monitored and corrective action taken to meet budget targets where possible.

Reserves

53. Usable reserves are part of a council's strategic financial management and councils will often have target levels of reserves. As shown in Exhibit 1, the overall level of usable reserves held by the council decreased by £2.3 million compared to the previous year and totalled £134.9 million.

Exhibit 1: Usable reserves

Description	31 March 2014	31 March 2013
	£ million	£ million
General Fund	32.8	43.5
Capital Reserve Fund	5.6	8.9
Capital Grants Unapplied	29.9	8.9
Repair and Renewal Fund	15.2	20.4
Culture and Recreational Fund	36.3	40.4
Insurance Fund	15.1	15.1
Total Usable Reserves	134.9	137.2

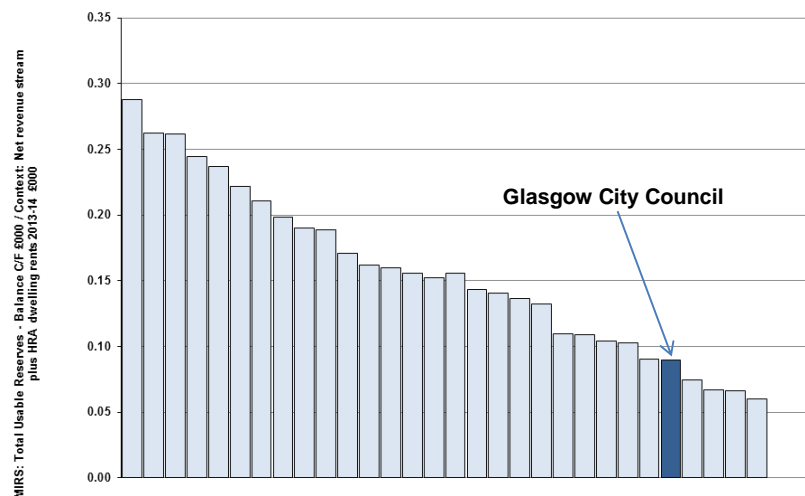
Source: Glasgow City Council 2013/14 financial statements

54. The significant increase in level of Capital Grants Unapplied has occurred as a result of funding received during 2013/14 for

the Future Cities (£21m) and Fastlink (£9.8m) projects where expenditure is scheduled for 2014/15 onwards.

55. The Culture and Recreational Fund balance has been built up over the last seven years to contribute towards the council's share of net revenue costs associated with the Commonwealth Games, and will be utilised on relevant disbursements during 2014/15.
56. From an analysis of Scottish councils' unaudited 2013/14 accounts, over half of all councils used reserves brought forward, with around half of all councils ending 2013/14 with lower levels of reserves than they had at the start of 2012/13. This was in part due to the retention of certain reserves associated with police and fire joint boards and the consequent reduction in general revenue grant from the Scottish Government in 2013/14.
57. Exhibit 2 below presents the council's usable reserves position in relation to net revenue stream in comparison to other Scottish councils (net revenue stream being presented as general revenue grant, council tax, non domestic rates and dwelling rents). As indicated, the council position is lower than the median level of 15%. The council needs to continue to ensure that it strikes a balance between meeting current obligations and preparing for future commitments and possible reductions in funding.

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



Source: Scottish councils' unaudited accounts 2013/14

58. The general fund balance reduced by £10.7million during the year. The closing balance at 31 March 2014 is made up of earmarked commitments of £14.5million and an unallocated balance of £18.3million, or 1.3% of the net cost of services (2012/13: 1.3%). This position is not in line with the council's policy which is to maintain uncommitted reserves at a minimum

of 2% of net budgeted expenditure over the medium term. The council's plans remain to restore uncommitted reserves levels to 2% or above over the medium term.

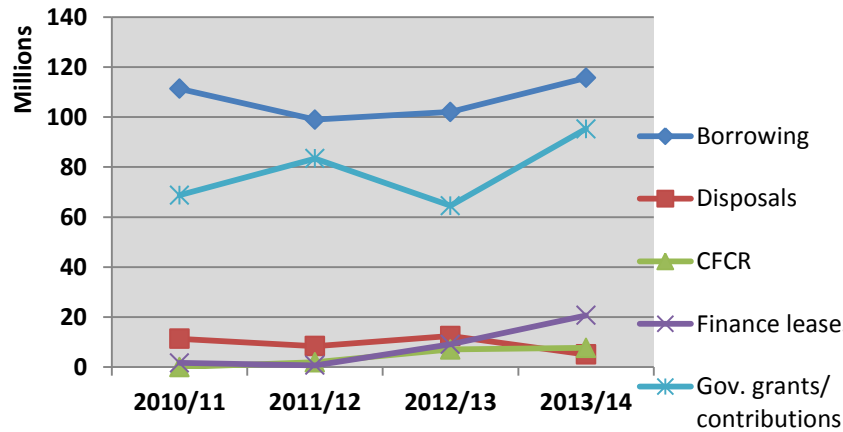
59. The main earmarked general fund reserve balances relate to:

- Equal pay
- Waste management
- Social work development.

Capital investment and performance 2013/14

60. Total capital expenditure for 2013/14 was £244.3million. Investment during the year included £55.7million on schools, £25.1million on social work facilities, £43.5million on landfill restoration costs and £14.7million on roads improvements. The capital programme was funded as shown at Exhibit 3 below:

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



Source: Glasgow City Council Annual Accounts 2010/11 to 2013/14

61. Original planned level of capital expenditure for 2013/14 was £269.8million. Actual outturn capital expenditure for the year was £244.3million, representing an underspend of 9.5% on the planned programme. Additional major capital projects which were approved during the year included £43million for Landfill decommissioning and £24million for the Future Cities Demonstrator. The following underspends on major projects were recorded;
- Future Cities Demonstrator £20million: Future City Glasgow is a programme which aims to demonstrate how technology can make life in the city smarter, safer and

more sustainable. The project, fully funded by the UK Government’s Technology Strategy Board, had fully committed all expenditure by March 2014 but delivery will extend into 2014/15.

- Local Authority Care Homes £35million: This is the capital programme to build 5 new local authority care homes. Several issues have resulted in the capital underspend: an unexpected ground condition on one of the sites has halted work; problems in acquiring suitable sites
 - East End Regeneration Route £8million: This is due to delays in settling land acquisition cases
 - Glasgow Royal Concert Hall extension £6million: This project forms part of a Tax Increment Finance (TIF) scheme. Phase1 of the project is the construction of a new building for the Royal Scottish National Orchestra. Delays have been encountered due to difficulties of piling under existing retail premises.
62. Processes in place for monitoring and reporting on capital investment activities are satisfactory, with information being made available on a timeous basis to the Capital Board, where delays or significant issues are encountered on individual projects.

Treasury Management

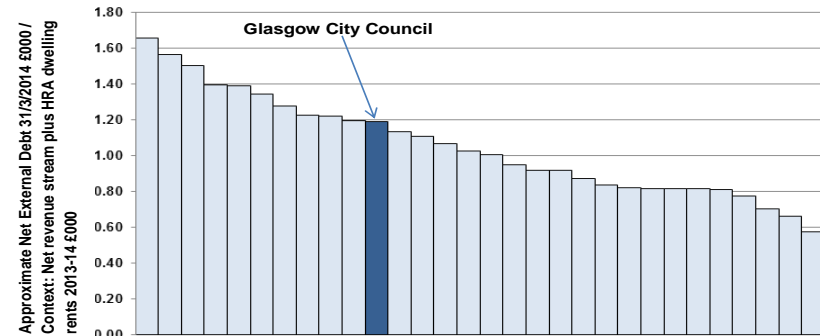
63. High levels of debt may reduce a council's budget flexibility going forward as revenue resource has to be set aside to

Financial position

service that debt. The impact that debt levels have on net revenue expenditure will be affected by interest rates and repayment periods.

64. In the current financial climate, many councils have relatively high levels of internal borrowing, utilising available cash balances and deferring external borrowing. Glasgow City Council's underlying need to borrow, or capital financing requirement (CFR), at 31 March 2014 was £1,591million while net external borrowing was £12million lower at £1,579million.
65. As shown at Exhibit 3, capital spend in the year was mainly funded through borrowing. The council's level of net borrowing in 2013/14 has increased by 3%, and, as shown in Exhibit 4, the council's net external debt as a proportion of net revenue stream continues to remain in the middle range relative to other Scottish councils.

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



Source: Scottish councils' unaudited accounts 2013/14

66. At 31 March 2014 the council had total borrowings of £1.712billion (2012/13 £1.669billion), most of which is at a fixed rate of interest and is repayable over the long term. This is in line with the council's treasury management strategy which aims to minimise debt interest costs over the medium term and achieve a more even spread in the debt maturity profile. As an alternative to further increasing external borrowing the council has utilised its own reserve and fund balances.
67. The current economic climate means that interest rates on investments have improved but remain low, resulting in only £7.7million of investment income being received this year from £427million of investments, compared to £5.3million last year

Financial position

from £400 million of investments. As the council has a significant proportion of its historic debt at fixed rates the average cost of borrowing over the year was 4.8% compared with 4.6% in 2012/13.

68. Audit Scotland has, on behalf of the Accounts Commission, recently completed a national review of borrowing and treasury management in councils. This involved discussions with members and officers as well as audit visits to a number of selected fieldwork councils, including Glasgow City Council. The review focused on the affordability and sustainability of borrowing and governance arrangements and considered how councils demonstrate best value in their treasury management functions. The national report is planned for publication in January 2015.

Outlook

69. In February 2014, the council approved its revenue budget for 2014/15, in line with the budget options for 2013-15, which were approved in February 2013 to meet a net spending gap of £42.6million forecast at that time for the two year period. The net service expenditure budget set for 2014/15 is £1,441.3million and represents an increase of 0.9% on that set for 2013/14 (£1,427.9million).
70. The spending gap identified, between available funding from current sources and the cost of services, was to have been met through planned efficiencies of £22.1million in 2013/14, and

£20.5million in 2014/15, from both service specific programmes and corporate council - wide projects. For 2014/15 these are broadly similar to 2013/14 and include:

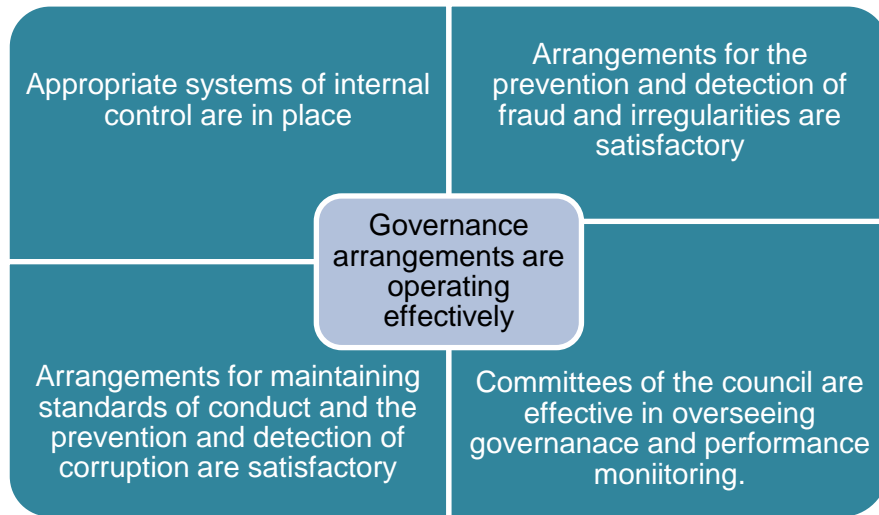
- £13.7m in savings from service reforms
 - £1.0m from efficiencies
 - £5.8m from reviews of commissioning and charging policies.
71. The latest reported financial position for 2014/15 reflects an over spend of £3.9million, mainly as a result of overspends within Social Work Services (£3.4million). The council and related companies are seeking to identify measures to contain this overspend, which reflects pressures in Homelessness and costs of Looked after Children.
72. The council will continue to operate in a funding environment which is subject to sustained pressure to deliver more with less. However, the level of flexibility within expenditure budgets is considerably reduced by the release of cost savings in previous years. Successful delivery of the council's Service Reform Programme is critical to services operating within their annual budgets. The current estimated shortfall in savings targets within the overall programme is £1.3million (7%).
- Refer Action Plan Point 5**
73. The council entered into an agreement with the Scottish Government in October 2012 in respect of the Buchanan

Financial position

Quarter Tax Increment Finance (TIF) scheme. The TIF agreement allows the council to repay the debt arising from infrastructure investment from incremental Non-Domestic Rates (NDR) revenue. The assets to be funded by the TIF project are public realm and infrastructure improvements within the Buchanan Quarter of Glasgow city centre. The project is for a period of 25 years, with the first material capital investment being in the year to 31 March 2014 of £1.4million. Total spend on the project will be £80million. The development timetable has slipped by one year, due to the complexity of integration with the Redevelopment of Queen Street Station Programme. However, a major anchor tenant and cinema operator has recently been secured by the development.

74. The council has secured City Deal funding from the UK Government. The City Deal will establish a £1.13billion Glasgow Infrastructure Fund. The UK Government and the Scottish Government will each contribute £500m of new capital funding over 20 years, combined with a further £130m invested by the seven participating Clyde Valley Authorities.
75. Successful development of the TIF project, and effective utilisation of City Deal funding, will be major steps toward achieving the economic growth objectives as stated in the council's strategic plan.

Governance and accountability



76. Members of the council and the Proper Officer are responsible for establishing arrangements for ensuring the proper conduct of the affairs of Glasgow City Council and for monitoring the adequacy and effectiveness of these arrangements.

Corporate governance

77. The corporate governance framework within Glasgow City Council is centred on the council which is supported by the

following standing committees, along with a range of other committees dealing with specific issues.

- Executive Committee
- Operational Delivery Scrutiny Committee
- Finance and Audit Scrutiny Committee
- Policy Development Committees:
 - Children and Families
 - Health and Social Care
 - Public Petitions and General Purposes
 - Regeneration and the Economy
 - Sustainability and the Environment

78. Based on our observations and audit work our overall conclusion is that the governance arrangements within Glasgow City Council are operating effectively.

Internal control

79. As part of our audit we reviewed the high level controls in a number of the council's systems that impact on the financial statements. This audit work covered payroll, general ledger, cash receipting, trade payables, trade receivables, capital accounting and housing benefits. Our overall conclusion was that Glasgow City Council had appropriate systems of internal control in place during 2013/14.

Internal audit

80. Internal audit provides members of the council and the Proper Officer with independent assurance on the overall risk management, internal control and corporate governance processes. We are required by international auditing standards to make an assessment of internal audit.
81. Our review of internal audit concluded that the internal audit service operates in accordance with the Public Sector Internal Audit Standards and has sound documentation standards and reporting procedures in place. We placed formal reliance on the work of internal audit on several accounting systems including payroll, accounts receivable, council tax reduction scheme, capital projects and members expenses.

ICT audit

82. The council's ICT strategy was updated in September 2013 to support the strategic plan for 2012-2017, as well as national and local ICT initiatives. These include a national strategy for local government ICT, Digital Glasgow and the UK Government's Future City Demonstrator. Significant progress was made in the year with the installation of new back-up systems and the start of major projects with a budget of over £30 million to upgrade the council's ICT infrastructure. The programme will enable the use of Windows 7 across the council and encompasses the upgrade of desktops and

applications as well as data centres and networks.

83. For the first time, in 2012/13, councils had to apply to connect to the Public Services Network (PSN) to allow the sharing of electronic data with other public bodies, such as the Department of Work and Pensions. This entailed complying with the strict security measures of the PSN Code of Connection which, if fully met, resulted in the issue of a compliance certificate. The application and approval process is subject to annual review, and the council's current accreditation has been extended from June until 10 November. The council has an on-going project to address the evolving requirements of PSN, work scheduled for 2014 was completed satisfactorily, and there are no indications that the council's certificate will not be renewed.

Arrangements for the prevention and detection of fraud

84. With the exception of the identification of concerns in the procuring of services and the making of payments to business development programmes noted below, the Council's arrangements in relation to the prevention and detection of fraud and irregularities were satisfactory.
85. As reported in the Head of Audit and Inspection's annual governance statement to the Finance and Audit Scrutiny Committee (May 2014) it was alleged that a senior officer had

Governance and accountability

commissioned services and authorised payments to close family members, in contravention of procurement procedures. In addition, it was alleged that senior officers had moved funds outwith the Council and then used this money to make consultancy services payments, to themselves and a small number of members of their team. The payments totalled £50,000. These payments were connected to projects which were run by external organisations and which received council funding.

86. A report has been submitted to Police Scotland. We will discuss with Internal Audit the possibility of conducting a joint review of the current arrangements in Development and Regeneration Services towards the end of 2014, giving due consideration to all aspects of DRS' role in economic development.
87. From our review of the annual or interim accounts of certain recipient organisations of grant funding from the council eg the West of Scotland Loan Fund and the Supplier Development Fund, there is minimal evidence for disbursement of funds. At a time of restraint in the application of public funds the council must scrutinise the payments it makes to such third party organisations to determine whether the council's objectives are still being met by their association with such organisations, and that the organisations continue to actively fulfil their business purpose.

88. Staff have either resigned or been dismissed, after due process. Internal controls have been strengthened and the sections concerned restructured.

Refer Action Plan Point 6

89. Glasgow City Council participates in the National Fraud Initiative (NFI). The NFI uses electronic data analysis techniques to compare information held on individuals by different public sector bodies and different financial systems, to identify data matches that might indicate the existence of fraud or error.
90. Overall, we concluded that GCC's overall arrangements for NFI are mostly adequate but steps could be taken to make a worthwhile improvement in the following areas;
- The NFI system is not maintained up to date during the matching and follow up process.
 - There is insufficient regular reporting on the progress of NFI to the Finance and Audit Scrutiny Committee.
91. With over 27,000 matches recorded as part of the latest NFI, and with staff reductions over the past 3 years, there are likely to be pressures on GCC staff in devoting time required to the NFI process for following up all matches and maintaining the NFI system for results obtained.

Governance and accountability

92. The council approved a Corporate Fraud Policy in May 2014 which introduced new arrangements to tackle corporate fraud and outlined strategies to mitigate against theft or fraud arising internally or from external sources. The new policy was considered necessary in response to changes in approaches to fraud being developed by Department of Work and Pensions and by Police Scotland.

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

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

Community planning and Single Outcome Agreements

94. Glasgow's Single Outcome Agreement (SOA) 2013 was drafted by its Community Planning Partnership (CPP) Strategic Board and approved in August 2013. The aim of the SOA is to deliver better long term outcomes for residents and it identifies three priority issues that contribute to inequality in the city:

- Youth employment
- Alcohol

- Vulnerable people.

95. Audit Scotland's report on Glasgow's community planning arrangements was published in April 2014. The report concluded that the Glasgow Community Planning Partnership (CPP) has set a clear strategic direction which reflects a greater emphasis on a preventative approach to delivering public services and a commitment to dealing with some of the most difficult issues facing Glasgow. An Improvement Agenda for the CPP was detailed in the report. The CPP is currently working on this and it is intended that this will be submitted to the CPP board in November 2014.

96. One of the key areas of required improvement identified was that the CPP were still to develop a performance management framework that would allow the CPP to monitor progress in implementing the single outcome agreement, and also allow partners to hold each other to account. Consultants have recently been appointed to work with CPP members to design a Performance Management Framework in relation to the Single Outcome Agreement, with workshops being held with members of the Strategic Board, Executive Group and other relevant structures to develop the framework.

Integration of adult health and social care

97. The Public Bodies (Joint Working) (Scotland) Act received Royal Assent on 1 April 2014. The Act provides the framework for the integration of health and social care services in

Governance and accountability

Scotland. The Act offers some flexibility on the partnership arrangements for the governance and oversight of integrated health and social care services. The integration will be complex and challenging and the council will need to engage at the highest level with the relevant health bodies in its area to ensure that integration is delivered within the required timescales and that the arrangements are functional and fit for purpose. This will require:

- the establishment of a local integrated partnership and related governance arrangements
- integrated budgets for health and social care
- joint responsibility for strategic and locality planning in the area served.

98. On 20 February 2014, Glasgow City Council approved the establishment of a “body corporate” with NHS Greater Glasgow and Clyde for Health and Social Care Integration. This will be an equal partnership with all current social work services included. A Joint Integration Board will be set up as the strategic and commissioning body with responsibility for overseeing the delivery of Health and Council Social Work Services to meet the agreed strategic priorities.
99. Progress has been made with a Shadow Integration Joint Board (SIJB) being established. This met for first time on 23 June 2014. A governance model for the board has been prepared, and work is now underway on developing an

Integration Scheme and the Strategic Plan for the SIJB. It is anticipated that these will be agreed by the SIJB in November 2014, to allow both Glasgow City Council and NHS Greater Glasgow and Clyde to approve in early 2015. Both require ministerial approval before April 2015.

Refer Action Plan Point 7

Welfare Reform

100. The council recognises the impact that the changes to the UK welfare system could have on resources and service provision. 2013/14 was a period of significant change with council tax benefits being replaced by the new Council Tax Reduction Scheme and the introduction of the Scottish Welfare Fund. Councils continue to face uncertainties over the roll out of the Universal Credit and there is the potential for even further reforms after the Scottish independence referendum result.
101. The council has continued to monitor the impact of changes through its Corporate Welfare Reform Working Group.

Housing and council tax benefits performance audit

102. Audit Scotland's Benefit Performance Audit team carried out a follow up review in April 2013 on the results of a risk assessment completed in 2011/12. The findings from the follow up on actions completed were favourable, and it was concluded that no further scrutiny would be required at that time. Further progress on the council's action plan will be reviewed at the next round of risk assessments scheduled for November, 2014.

Outlook

103. Councils continue to face rising demands for services alongside managing major reforms in welfare and health and social care. There is now a greater need than ever for strong governance and leadership. The integration of health and social care is a complex and challenging process and the council will need to continue to engage at the highest level with partners to ensure that the unified service is in place by the statutory date of 1 April 2016.

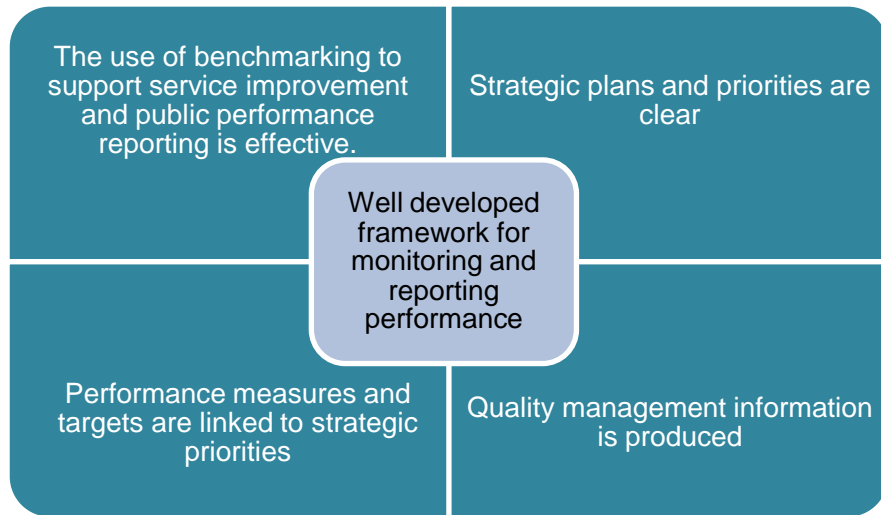
104. There are to be major changes in councils' responsibilities for the investigation of fraud. The new Single Fraud Investigation Service (SFIS) is a national fraud investigation service within the Department for Work and Pensions which will take over the responsibility for the investigation of housing benefit frauds. The investigation of the Local Council Tax Reduction Scheme

and corporate frauds will remain within councils. The SFIS is being implemented across councils on a phased basis during the period July 2014 to March 2016, with implementation at Glasgow City Council scheduled for November 2014. The change will see the transfer of staff from councils to the DWP, and there is a risk that council arrangements for the prevention and detection of fraud may be weakened due to the loss of experienced investigators to the SFIS.

Refer Action Plan Point 8

105. The political context in 2014 has been particularly challenging with the referendum on Scottish independence. Based on the outcome, there is the clear potential for even further change and discussions are likely on local services, governance and accountability.

Best value, use of resources and performance



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

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

Arrangements for securing Best Value

107. Overall, the council has a well established and sound approach to best value including clear strategic goals and priorities, a strong culture of performance management and a successful service reform programme which delivers target savings.

Use of resources

108. **Corporate Asset Management:** The council has, over the last few years, been developing a corporate approach to managing its assets with an overarching strategy to ensure the council's assets meet its needs and support the delivery of a best value service. The first high level strategic asset plan was approved by members in June 2013. This set out a vision for the future planning and governance of the council's assets.

109. The first progress report on the plan was put to members of the Finance and Audit Scrutiny Committee in August 2014. This reported that a number of key areas have progressed well over the last twelve months, with a main focus on the asset classes of ICT, information and property. Progress in the remaining asset classes, fleet infrastructure, open spaces and collections, are less well developed, with the intention being to establish asset and advisory boards for each asset class by March 2015. Management has acknowledged that there is much work still to

Best value, use of resources and performance

be done. Going forward, to allow members to more readily monitor and challenge progress, it is recommended that future progress reports be based on action plans showing achievements against prioritised actions with target completion dates.

- 110. Workforce management:** The council's strategic plan recognises the need to maximise the performance of employees effectively to continue to deliver services efficiently in light of financial challenges. The council currently has a workforce of 19,000 staff. Over the last few years council employees have been subject to periods of considerable uncertainty and change resulting from issues such as the need for budget savings, voluntary staff reduction schemes and reorganisations as part of service reforms.
- 111.** The council has progressed a number of positive initiatives in managing its key asset, its workforce. These include :
- the development of a Corporate HR Strategy 2013-17. This sets out what has to be done to make best use of the council workforce and identifies specific improvement activities and related key performance indicators. It commits to deliver its objectives by 2017 in line with the council's strategic plan and report progress annually to senior management and members
 - the adoption of a corporate employee performance improvement framework

- the commitment to undertake a universal staff survey in 2015.

Performance management

- 112.** The council has a strong focus on performance management and has a clear corporate performance management framework for monitoring and reporting performance against the council's priorities.
- 113.** The main audiences for performance reports are the Extended Council Management Team (ECMT) and members of the Executive Committee, Operational Delivery Scrutiny Committee and the Finance and Audit Scrutiny Committee. A suite of reports form the core of the framework including the Council Strategic Plan, the Council Annual Performance Report and each service's Annual Service Plan and Improvement Reports.
- 114.** The council follows a themed approach to reporting and there are clear links between the council's strategic priorities and services' operational plans and performance reports.
- 115.** A number of key performance indicators have been aligned with the council's strategic plan themes and these are reported through a Corporate Scorecard on a quarterly basis to the ECMT. The council has also adopted the Local Government Benchmarking Framework with its first annual comparison report being reported to members in August 2014.

116. We are satisfied that appropriate performance management arrangements were in place within Glasgow City Council for 2013/14.

Overview of performance targets in 2013/14

117. The Local Government Benchmarking Framework provides benchmarking comparisons for all 32 Scottish local authorities, the aim of which is to provide consistent performance data across authorities and to facilitate meaningful performance benchmarking.

118. The council has measured its performance against the benchmarking indicators and carried out a detailed comparison against all 31 other local authorities. Overall this shows the council in the mid-range for 24 of the total 53 indicators, with its remaining 29 indicators spread evenly above and below the performance mid-range. The council's comparison of performance against the benchmarking framework is a positive step towards ensuring continuous improvement.

119. The council's second Annual Performance Report was reported to members of the Operational Delivery Scrutiny Committee in September 2014. This describes how the council has performed against the priorities in the council's strategic plan 2012-17. The report shows that all priorities are either being progressed as expected or are complete.

120. Each service in the council is required to produce an Annual Service Plan and Improvement Report (ASPIR) which outlines key performance measures as well as budget proposals and targets. We raised, in our 2012/13 Annual Audit Report, concerns over a number of indicators which were falling behind target within the council's *Vulnerable* priority area. The ASPIR for Social Work Services, reported to the Health and Social Care Policy Development Committee in September 2014 shows that, of the 42 assessment ratings, 18 (43%) were assessed as red ie where performance misses the target by 5% or more. For 2012/13, only 13% of the equivalent assessment ratings were at red status. The indicators falling most behind target were:

- % of older people resident in a purchased Care Home placement reviewed in the last twelve months (target 100%, actuals 37% 2013/14 and 41% 2012/13). The process is being reviewed and management hope to deliver significant improvement in 2014/15.
- % of looked after and accommodated children aged under 5 who have had a permanency review (target 90%, actuals 76% 2013/14 and 72% 2012/13). Remains short of target, although performance has improved.
- % of decision notifications issued within 28 days of initial presentation (temporary accommodation) (target 95%, actuals 77.2 % 2013/14 and 80% 2012/13). Overall annual number of cases has fallen by 73% since 2010/11, and

Best value, use of resources and performance

management are proposing to revise the target downwards to 85%, due to the inherent complexity of cases.

Refer to Action Point 9

Statutory performance indicators

- 121.** The Accounts Commission has a statutory power to define performance information that councils must publish locally and it does this through its annual Statutory Performance Information Direction. Since its 2008 Direction, the Accounts Commission has moved away from specifying individual indicators and has focused on public performance reporting and councils' requirement to take responsibility for the performance information they report.
- 122.** The audit of Statutory Performance Indicators in 2013/14 is a two stage process. The first stage requires auditors to ascertain and appraise councils' arrangements for public performance reporting and the completion of the Local Government Benchmarking Framework indicators. This focuses on three statutory performance indicators (SPIs) namely :
- SPI 1: covers a range of information relating to areas of corporate management such as employees, assets and equalities and diversity
 - SPI 2: covers a range of information relating to service performance

- SPI 3: relates to the reporting of performance information as required by the Local Government Benchmarking Framework.
- 123.** The second stage involves an assessment of the quality of the information being reported by the council to the public. An evaluation of all Scottish Local Authorities' approaches to public performance reporting (PPR) has been carried out by Audit Scotland's Performance Audit and Best Value section, the results of which were reported to the Accounts Commission in June 2014. Individual assessments were also reported to council Chief Executives, Leaders and Chairs of Audit Committees. These highlighted the extent to which their PPR material either fully, partially or did not meet the criteria used in the evaluation. The results for the council were that, of the total 21 indicators, 19 were assessed as either fully or partially meeting the criteria with only two not meeting the requirements (related to the reporting of assets and procurement). A further evaluation of councils' approaches to PPR is due to be carried out by Audit Scotland in Spring 2015.
- 124.** Overall the council's arrangements for reporting SPIs 1 to 3 are adequate.

Assurance and improvement plan 2014-17

- 125.** The Assurance and Improvement Plan (AIP) covering the period 2014-2017 is the fifth AIP for Glasgow City Council prepared by the Local Area Network of scrutiny partners for the

Best value, use of resources and performance

council since the introduction of the shared risk assessment process. This has been published on Audit Scotland's website and was submitted to the Finance and Audit Scrutiny Committee in June 2014.

126. The shared risk assessment in 2013/14 did not highlight the need for scrutiny work in any areas apart from the following :
- **Social Work Services: Modernising Services.** Further information was required before a judgement on performance could be made in relation to the personalisation / self directed support programme and ICT systems, and the need to increase the extent of joint evaluation with partners. In response to this assessment, a joint inspection of health and social work services for older people within Glasgow is currently being carried out by the Care Inspectorate and Health Improvement Scotland. The inspection report is likely to be available in January 2015.
 - **Housing and Homelessness:** Required by the Scottish Housing Regulator (SHR) in response to the council failing to always deliver its statutory duties to homeless people. A voluntary intervention was agreed whereby the council would develop an improvement plan to be monitored by the SHR. Central to improvement was the redesign of service delivery, and the council's ability to increase access to social housing from private and registered social landlords. The resulting improvement plan was noted by the Health and Social Care Policy Development Committee on 16

April 2014. Since then the SHR has been meeting quarterly with the council and representatives of service users to monitor progress. In consultation with service user groups, the SHR is focussing on confirming that progress made to date is translated into improved outcomes for service users.

Refer Action Plan Point 10

127. We will revisit these areas as part of the Shared Risk Assessment process for 2014/15.

Local performance audit reports

128. As part of our 2013/14 audit we assessed the council's arrangements against the June 2011 Accounts Commission report "Arm's Length External Organisations - Are you getting it right?" which covered good practice in setting up and running ALEOs.
129. We found overall that the council has a clear and well established framework for ensuring the sound governance of its ALEOs, which is well embedded in the council's broader performance reporting and management framework. Many of the examples of basic better practice and advanced practice as suggested in the Accounts Commission's report are being met by the council's current procedures. There are however a number of areas which could be improved including:
- improving transparency over the appointment of elected

Best value, use of resources and performance

members to the Boards of ALEOs by agreeing preferred selection qualities

- reducing the risk of potential or perceived conflicts of interest by ensuring that, wherever possible, there is no overlap between the members of the council's Operational and Delivery Scrutiny Committee and the ALEO Boards.

130. We will monitor progress against the agreed improvement plan as part of our 2014/15 audit.

National performance audit reports

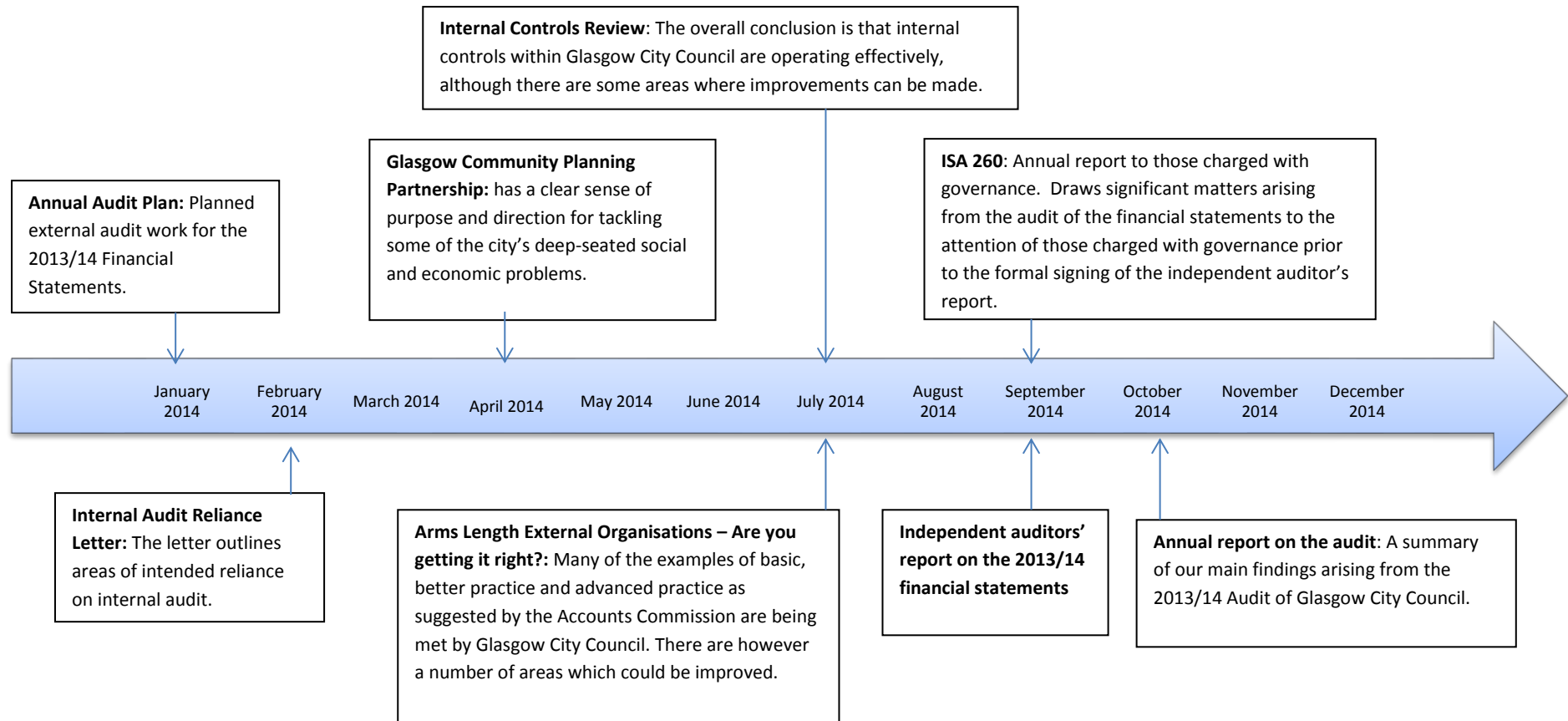
131. In line with good practice, the council regularly report the findings from our national reports to members including an assessment of current practices against good practices and the agreement of actions to ensure further improvement. A summary of national performance audit reports, along with local audit reports, is included in Appendices I and II.

Outlook

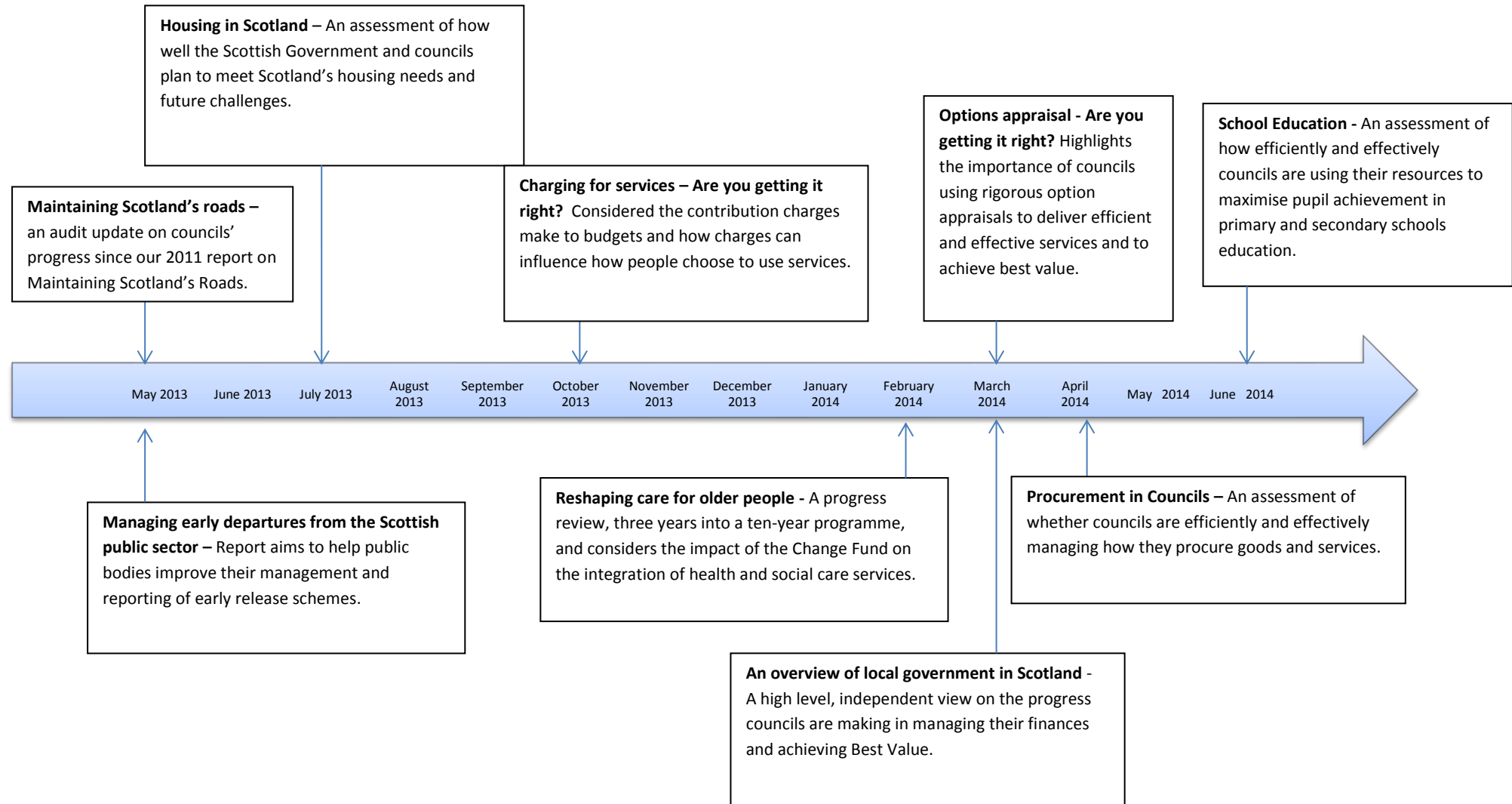
132. Glasgow hosted the Commonwealth Games from 23 July to 3 August 2014. The overall budget for delivering the games was £563million, of which Glasgow City Council's share was £80million. Audit Scotland is currently carrying out a third audit on the Games, focussing on how much was spent on delivering the Games, as well as progress towards achieving the lasting legacy benefits. The report on the audit's findings is expected in March, 2015.

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

Appendix I – Summary of Glasgow City Council local audit reports 2013/14



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



Appendix III – Significant audit risks identified in the 2013/14 annual audit plan

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

Audit Risk	Assurance procedure
<p>Valuation of major assets: The council's accounting policy is for Assets under Construction to be transferred on completion into Operational Assets at cost. Such assets are revalued in the following financial year. Our view is that there is a risk of material misstatement of such assets should the valuation result in significant downward revaluations.</p>	<ul style="list-style-type: none"> • Increased review of asset valuation information • Detailed review of Assets Under Construction balances, and transfers into operational assets.
<p>Asset de-commissioning costs – landfill: The council should have recognised a suitable financial provision for restoration and remedial costs at its Cathkin landfill site when it first started using the facility, but did not, due to uncertainty over the timescales and amount of such costs. During 2013/14, legal issues have been resolved so that the amount of such provision can be estimated, and the time scale has been established.</p>	<ul style="list-style-type: none"> • Detailed checking of cost estimates utilised in calculation of provision • Review of relevant engineering reports

Appendix III – Significant audit risks identified in the 2013/14 annual audit plan

Audit Risk	Assurance procedure
<p>Financial Statements Preparation: The submission of the unaudited 2013/14 financial statements for audit was brought forward by one month, due to the demands on finance staff from Commonwealth Games related duties. There was a risk that key finance staff may have been unavailable to respond to audit enquiries, and an increased risk of error due to the earlier closure of the accounts and potentially greater use of estimates.</p>	<ul style="list-style-type: none"> • Regular update meetings with finance staff on the progress of the accounts preparation and the identification of key audit risks. • Increased level of audit testing carried out, particularly in those areas of greater estimation.
<p>Group accounts and governance: <i>Reports to those charged with governance</i> (ISA 260 reports) have not been routinely obtained by the council for its significant group entities, and group consolidation schedules are not always subject to validation checks. There is a risk that the council may not obtain full information on audit issues arising at group bodies and significant errors in the consolidated balances may not be detected prior to inclusion in the group accounts.</p>	<ul style="list-style-type: none"> • Reviewed the checks carried out by council finance officers between the consolidation packs and the audited accounts of the combining entities • Meetings with the external auditors of combining entities to discuss any audit issues arising from the 2013/14 audits • Reviewed Reports to those charged with governance (ISA 260 reports) prepared by the external auditors of those bodies in the group.

Appendix III – Significant audit risks identified in the 2013/14 annual audit plan

Audit Risk	Assurance procedure
<p>Material feeder systems: Social Work Services careFirst system is one of the larger systems contributing to the financial statements. Input and output controls, and reconciliation processes, are key to the operation of the system.</p>	<ul style="list-style-type: none"> • Obtained overview of system. • Obtained details of financial reports and period end reconciliations available on system.
<p>Audit of council charities: Under revised legislation, the council's charitable trusts could have required an audit opinion within local government accounts timescales.</p>	<ul style="list-style-type: none"> • Reviewed trust deeds, and trustee membership, for each of the council's charitable trusts, to confirm whether or not S.106 Charities Accounts (Scotland) Regulations 2006 should be applied.
<p>Fraud risk: Irregularities in payments to individual council officers, and in the processes for opening new bank accounts, were being investigated within the council's Development and Regeneration Service.</p>	<ul style="list-style-type: none"> • Monitored developments, and reviewed findings, from ongoing investigations. • Held discussions with senior officials on organisational changes, and on the revised processes introduced to mitigate ongoing fraud risk.
<p>Financial pressures: Reductions in Scottish Government funding to continue through 2013/14 and 2014/15. Cost pressures and service demand pressures continue also, with inevitable pressures on council's budget.</p>	<ul style="list-style-type: none"> • Reviewed and assessed efficiency plans designed to meet funding gap identified for 2013/14. • Reviewed and assessed council's performance against budget throughout 2013/14 audit.

Appendix III – Significant audit risks identified in the 2013/14 annual audit plan

Audit Risk	Assurance procedure
<p>Usable reserves: The council is maintaining a level of unallocated reserves which is less than its policy target amount, and no change in that position was expected for 2013/14.</p>	<ul style="list-style-type: none"> • Reviewed and assessed the amounts, and the rationale, for balances of earmarked reserves being maintained at year end. • Considered the council’s usable reserves position in relation to other Scottish local authorities.
<p>Commonwealth Games: The council may fail to fulfil its responsibilities in relation to delivery of the Games and their Legacy outcomes.</p>	<ul style="list-style-type: none"> • Reviewed progress on preparations, during our 2013/14 audit, by reference to relevant reports and minutes.
<p>Welfare reform: There will be financial and workforce implications for the council arising from the implementation of Universal Credit, and the timing of its rollout remains uncertain.</p>	<ul style="list-style-type: none"> • Reviewed the arrangements in place within the council re forward planning for Welfare Reforms • Monitored reporting from the council’s Corporate Welfare Reform Working Group.
<p>Public Services Network: The council’s PSN Code of Connection Compliance Certificate is subject to annual renewal, and constitutes a major risk to operations and service delivery should there be any non-compliance issues.</p>	<ul style="list-style-type: none"> • Monitored the council’s preparedness for renewal of its certification • Obtained assurances regarding renewal of certification.

Appendix III – Significant audit risks identified in the 2013/14 annual audit plan

Audit Risk	Assurance procedure
<p>Service reform programme: 2013- 2015 service budgets include efficiencies and savings of £51.9m. There is a risk to service delivery and to financial position in not delivering the required savings.</p>	<ul style="list-style-type: none">• Reviewed regular budget monitoring reports on progress throughout the year, to confirm programme on target to deliver planned efficiencies.

Appendix IV – Action plan

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
1/10 & 11	<p>Capital Accounting</p> <p>The 2013/14 financial statements submitted for audit wrongly accounted for £296million of expenditure as assets under construction, which should have either been reported as operational land and buildings, or eliminated where already accounted for.</p> <p>Risk</p> <p>The capital accounting procedures do not ensure the correct classification of the council's non current assets in the Balance Sheet.</p> <p>Recommendation</p> <p>The council should review the adequacy of the capital accounting procedures and provide training to those officers responsible for the classification of assets, and maintenance of the asset register.</p>	<p>The Council is currently implementing a review of the process and systems used to manage capital accounting.</p> <p>This will include improvement to system process and the provision of further training across the council in relation to capital accounting procedures.</p>	Head of Corporate Finance	March 2015

Appendix IV – Action plan

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
2/11	<p>Common Good Fund</p> <p>The 2013/14 financial statements included £1.8million of investment properties held on behalf of the Common Good Fund (CGF). To comply with the accounting policies, these assets should be subject to annual valuation in order to reflect market conditions. However, we found that no such valuations had been carried out for at least four years.</p> <p>Risk</p> <p>In the absence of regular valuations, the carrying value of investment properties could be significantly misstated.</p> <p>Recommendation</p> <p>Valuation of investment properties is completed as part of the wider review of CGF policies planned for completion in 2014/15.</p>	<p>As part of the wider review of Common Good polices in 2014/15 all investment properties will be revalued in line with the council's accounting policies.</p>	<p>Head of Corporate Finance / Asset Management Manager</p>	<p>March 2015</p>

Appendix IV – Action plan

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
3/11	<p>Monitoring of landfill restoration works</p> <p>The council has provided for an estimated £43.5million in restoration costs at its Cathkin landfill site. The site is no longer operational, and the council is legally required to complete work by 30 September 2015. In addition, the costs provided for could be subject to significant variation as the work progresses.</p> <p>Risk</p> <p>The council may fail to complete the necessary works by the deadline stipulated, which may result in financial penalty, and the restoration costs may be materially in excess of the amount provided.</p> <p>Recommendation</p> <p>Progress on restoration works, and the ongoing costs, should be closely monitored and reported to committee, so that potential delays and cost overruns are identified and acted on promptly.</p>	<p>Progress will be monitored by the Capital Programme Board and will be reported in the detailed Quarterly Investment Programme Monitoring Reports considered by the Finance and Audit Scrutiny Committee.</p> <p>The provision in relation to landfill restoration will be reviewed annually in line with proper accounting practice.</p>	<p>Executive Director of Land and Environmental Services</p> <p>Head of Corporate Finance</p>	<p>Ongoing</p> <p>March annually</p>

Appendix IV – Action plan

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
4/12	<p>Contingent liabilities</p> <p>Holiday pay</p> <p>Kinship Care</p> <p>Over 9,000 claims have been received following the introduction of a revised job evaluation scheme across the council. Initial tribunal findings were that the job evaluations were compliant with equal pay legislation, however, that decision is currently under review.</p> <p>Risk</p> <p>Legal decisions rule in favour of claimants and material claims crystallise against the council, with significant impact on the council's financial position.</p> <p>Recommendation</p> <p>Status of legal process should be closely monitored by council legal department, and potential for claims reported to management for early reporting to committee.</p>	<p>The position of all contingent liabilities remains under review and is reported annually as part of the annual accounts process in line with proper accounting practice.</p>	<p>Head of Corporate Finance / Head of legal and Administration</p>	<p>March 2015</p>

Appendix IV – Action plan

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
5/19	<p>Financial position</p> <p>The council has identified savings of £20.5million as being necessary to meet a funding gap for 2014/15. As in previous years, most of these savings are to be achieved through service reforms.</p> <p>Risk</p> <p>The ongoing need to deliver savings may have an adverse impact on services and the delivery of strategic priorities.</p> <p>Recommendation</p> <p>The council continues to closely monitor delivery of its Service Reform Programme, and acts promptly to rectify areas of potential shortfall.</p>	<p>Four weekly monitoring reports are prepared and reported to the Executive Committee and Finance and Audit Scrutiny Committee for consideration.</p> <p>Similarly these reports are also reported to the Council Management Team and Extended Council Management Team for consideration.</p>	Executive Director of Financial Services and Depute Chief Executive	Ongoing

Appendix IV – Action plan

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
6/23	<p>Disbursements to third party bodies for economic regeneration</p> <p>There is a lack of monitoring of payments made for economic regeneration.</p> <p>Risk</p> <p>Whilst payments may well be made within authorisation levels, if no-one scrutinises the rationale for, or substance of, a payment, there is a risk that it is not applied in line with council objectives.</p> <p>Recommendation</p> <p>As well as the revised structure and internal controls introduced in DRS by the council, officers should be charged with monitoring and evaluating the benefit received (including fulfilment of Council objectives) from payments made to third parties for economic regeneration.</p>	<p>A Budget Monitoring Group has been established to evaluate and scrutinise applications for funding, regardless of value, to ensure that it meets the Council's objectives. This group meets on a weekly basis.</p> <p>The service reform of Economic Development has now been completed and the new structure is about to be implemented. The outcome of this is the creation of a centralised monitoring team, which will add to the internal control of this area and manage the risk.</p>	Executive Director of Development and Regeneration Services	March 2015

Appendix IV – Action plan

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
7/25	<p>Health and Social care Integration</p> <p>Work is currently ongoing to develop an Integration Scheme and a Strategic Plan for the Joint Integration Board, for approval by the council and NHS Greater Glasgow and Clyde in early 2015.</p> <p>Risk</p> <p>Necessary agreement between council and NHS Board may not be obtained by early 2015, which could jeopardise the necessary ministerial approval being obtained by April 2015.</p> <p>Recommendation</p> <p>Ongoing feedback to Chief Executive and Executive Committee as to progress in development of the structures and plans for the new corporate body.</p>	<p>The council is currently engaged with the health board and other local authorities to develop appropriate proposals for areas such as financial arrangements, governance and management of risk to be included in the Integration Scheme which must be submitted to Scottish Ministers by 1st April 2015. Work is ongoing and it is anticipated that the Integration Scheme will be presented to the Council and Health Board for approval in January / February 2015. Work on the Strategic Plan is underway with a draft anticipated for approval by the Joint Integration Board in April 2015.</p>	<p>Executive Director of Social Care Services / Executive Director of Financial Services and Depute Chief Executive</p>	<p>March 2015</p>

Appendix IV – Action plan

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8/26	<p>Single Fraud Investigation Service (SFIS)</p> <p>The formation of the new national SFIS will see staff transferred from the council to the DWP.</p> <p>Risk</p> <p>Council arrangements for the prevention and detection of fraud may be weakened due to the loss of experience investigators to the SFIS.</p> <p>Recommendation</p> <p>The council should review its staffing of anti fraud services to ensure sufficient expertise and experience is retained within the council.</p>	<p>The council approved a Corporate Fraud Policy in May 2014 and has now established a Corporate Fraud Team staffed by experienced benefit counter fraud officers.</p>	<p>Executive Director of Financial Services</p>	<p>Ongoing</p>

Appendix IV – Action plan

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
9/30	<p>Corporate Scorecard indicators for Vulnerable People priority</p> <p>There are a number of assessment ratings relating to the council's vulnerable people priority for which performance is considerably below target, and where no significant improvement has been recorded since 2012/13. These are:</p> <ul style="list-style-type: none"> • Older people resident in a purchased Care Home placement reviewed in the last twelve months. • Looked after and accommodated children aged under 5 who have had a permanency review. • Decision notifications issued within 28 days of initial presentation (temporary accommodation). <p>Risk</p> <p>Performance remains low and the council's strategic priority re looking after vulnerable people is not met, with significant adverse effects on outcomes for vulnerable individuals.</p> <p>Recommendation</p> <p>Reasons for poor performance to be identified and rectified as a high priority.</p>	<p>Older people Residential Reviews:</p> <p>Due to the large number of clients in scope for review we have developed a model that offers a range of scrutiny options tailored to individual client need. When this model is rolled out it is anticipated that performance will improve.</p> <p>LAAC Permanency Reviews:</p> <p>The issues and challenges of this area are being addressed by increasing worker awareness and knowledge, particularly in relation to concurrency planning, and by highlighting to new staff the importance of planning timely reviews.</p> <p>Homelessness:</p> <p>The rollout of Housing Options impacted performance and these have now been mitigated with increased scrutiny around case duration in the teams. It is anticipated that this will result in performance improvement.</p>	Executive Director Social Care Services	March 2015

Appendix IV – Action plan

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
10/31	<p>Housing and Homelessness</p> <p>The council requires to improve its performance in relation to its statutory obligations to the homeless. Central to improvement will be the council’s ability to increase access to social housing through its relationship with private and registered social landlords. A voluntary intervention was agreed whereby the council would develop an improvement plan which would be monitored by the SHR.</p> <p>Risk</p> <p>The council fails to make necessary improvements and continues to fail in its statutory homelessness obligations.</p> <p>Recommendation</p> <p>H&SC Policy Development Committee and Executive Committee monitor closely the progress made in achieving improvement plan objectives, and liaise actively with SHR throughout.</p>	<p>The reduction in performance is likely to be a consequence of the transition and modernisation of Homelessness Casework Services. This has been identified with local management and remedial actions are now being put in place.</p>	<p>Executive Director Social Care Services</p>	<p>March 2015</p>